EXPORT PERFORMANCE OF HOME FURNISHING TEXTILE UNITS IN THE GLOBALISED SCENARIO

(A COMPARATIVE STUDY OF KANNUR DISTRICT IN KERALA AND KARUR DISTRICT IN TAMILNADU)

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in partial fulfilment of the requirements for the award of the degree of
DOCTOR OF PHILOSOPHY
IN
COMMERCE

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JANUARY 2008

DECLARATION

I hereby declare that this thesis entitled **"Export performance of home furnishing textile units in the globalised scenario (A comparative study of Kannur district in Kerala and Karur district in Tamilnadu)"** is my original work under the guidance of Dr. T. Asokan, Reader, Department of Management Studies, Kannur University, Thalassery campus, Palayad. I further declare that, this work has not previously formed the basis for the award of any degree or diploma, fellowship or any other similar title of this or any other University.

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CERTIFICATE

This is to certify that the thesis entitled **"Export performance of home furnishing textile units in the globalised scenario (A comparative study of Kannur district in Kerala and Karur district in Tamilnadu)"**, presented by Laila P.I, for the award of the degree of Doctor of Philosophy in Commerce under the faculty of Commerce and Management Studies has not previously formed the basis for the award of any Degree, Diploma, Fellowship or any other similar title of this or any other University.

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LIST OF ABBREVIATIONS

AEPC	: Apparel Export Promotion Council
ANOVA	: Analysis of Variance
APES	: Apparel Parks for Exports Scheme
ATC	: Agreement on Textiles and Clothing
CAD	: Computer Aided Design
CCIC	: The Central Cottage Industries Corporation of India Ltd
DTA	: Domestic Tariff Area
EMS	: Environmental Management Systems
EOUS	: Export Oriented Units
EU	: European Union
FIT	: Fashion Institute of Technology
GATT	: General Agreement on Tariffs and Trade
HACCP	: Hazard Analysis and Critical Control Point.
Hantex	: Kerala State Handloom Weavers Cooperative Society
Hanveev	: Kerala State Handloom Development Corporation Ltd
HEPC	: Handloom Export Promotion council
ICM	: Institute of Co operative Management
ICM	: Institute of Co-operative Management
IHTT	: Institute of Handloom and Textiles Technology
IIHT	: Indian Institute of Handloom Technology
ISO	: International Organisation for Standardisation
KINFRA	: Kerala Industrial Infrastructural Development Corporation
KSHDC	: Kerala State Handloom Development Corporation
LTA	: Long Term Arrangement
MFA	: Multi Fibre Arrangement
NIC's	: Newly Asian Industrialising Countries
NIFT	: National Institute of Fashion Technology
OHSAS-18001	: Occupational Health and Safety Assessment Series
OPT	: Outward Processing Trade
PHWCS	: Primary Handloom Weavers Co- operative Society
PHWCS	: Primary Handloom Workers Co operative Societies
QMS	: Quality Management Systems
SA- 8000	: Social Accountability 8000
SGS	: Sample Grading System
SIL	: Special Import Licenses

SIMA	: South Indian Manufactures Association
SITP	: Scheme for Integrated Textiles Parks
SITRA	: The South India Textile Research Association
STA	: Short Term Arrangement
TCIDS	: Textile Centre Infrastructure Development Scheme
TEXPROCIL	: The Cotton Textiles Export Promotion Council
TMB	: Textile Monitoring Body
US	: United States
USA	: United States of America
UVR	: Unit Value Realisation
WTO	: World Trade Organisation

CHAPTER I

INTRODUCTION

INTRODUCTION

Trade among the countries is an ancient phenomenon. International Trade was an engine of economic growth for many countries during the last few centuries. Growth of external trade maximises the economic potential of world nations which motivates to exploit the sectors in which each country enjoys virtual advantage. Under free trade markets, generally goods flow from low price zones to high price zones. The triplet principles of a good multilateral trade policy regime are predictability, transparency and uniformity. A liberal trade policy regime provides an evaluation criterion, which judges the prevailing trade regime, and provides road maps for the direction of reforms.

The current structure of world trade is in fact one of the legacies of colonisation. The principles governing international trade were articulated by the developed countries to suit the stakes of their own interest. The developing countries have played the role of sideline spectators who occasionally got a piece of the action, but only a 'small piece' both in the pre WTO and in post WTO regime.

The General Agreement on Trade and Tariffs (GATT 1947) was very much a market oriented institution. Its function was to harness the dynamics of reciprocity for the global welfare by lowering trade barriers in the initial period and non-trade barriers later. The basic aim of GATT and WTO rules is to secure fair and undistorted competition in international trade rules on non-discrimination, dumping and subsidies which are designed to bring about fair conditions of trade.

The new century is one of interdependence of nations, leading to massive economic activity. Globalisation had integrated economies and created a new global economic architecture unheard of in the last century. Globalisation has

produced ever increasing economic interdependence of the world through growing volume and variety of cross border flows of finance, investment, goods and services and the rapid wide spread diffusion of technology. Its crucial dimension concerns the expansion of economic activities across the state borders. Other magnitude includes the international movement of ideas, information, legal systems, organisations, people, cuisines, and cultural exchange. India has an opportunity and obligation to take a lead role among developing countries to enable reshaping the global agenda in a pro-active and responsible manner.

"If we are not concerned of the stresses of globalization, ideological counter-currents will emerge. Globalisation is not a bed of roses." A World Bank study revealed that since 1974 exports have doubled as a proportion of world economic output to over 25 per cent. Following the existing trends, it will rise to 34 per cent by 2030. World income has doubled since 1980 and half a billion people have climbed out of poverty since 1990.[1] From the developing country perspective; the rich countries want access to the poor countries resources, markets, and labour forces at the lowest price. Under the WTO regime, developing countries were promised a new regime that would allow them to sell their goods and trade their way out of poverty through undistorted market openness. This required generous market access by the rich for the products of the poor and reduction-cum elimination of marketing distorting producer and export subsidies, with the resulting dumping of the rich world's produce on world market.

The structural transformation in the global textile industry will take a new dimension with the emergence of a "quota free world" in the post Multi Fibre arrangement (MFA). The MFA has been thwarting free multilateral trade in textile and clothing because of its features of trade protection and discrimination. Under GATT regime, the MFA was integrated into the new WTO package through the 'Agreement on Textiles and Clothing' (ATC). All the quotas that

had been operating under the provisions of MFA have since been placed under the ATC. The agreement provided the phasing out of these quotas in a period of ten years from 1995 to 2004. So from 1st January 2005 onwards, the ATC vanished and the quota system for international trade in textiles and clothing ended.

During the pre-British period, the Indian economy was fairly advanced with satisfactory level of trade and transport. During the British period the Indian economy skid to stages of stagnation and eventually become an underdeveloped economy. Until India became independent, Britain restricted India's trade with other nations by controlling the "Sterling balances" from India's trade surplus. After independence, India became a founding member of the GATT. However, it continued to implement protectionist measures to reduce foreign competition.

India had started out in the 1950's with the expectation of higher growth rates, openness of trade and investment, a promotional social expenditure with confidence that poverty would be seriously dented by growth. But by 1980's India was characterised by low growth rates, restrictive trade and investment, a license obsessed state with inability to sustain social expenditures and resultant balance of payment crisis. By 1985, the beginning of trade liberalisation was visible. The 1991 economic reform package further liberalised trade. In 1995, to meet the WTO commitments, India agreed to eliminate quantitative restrictions on many consumer and agricultural imports while retaining export subsidies and incentives.

India had a glorious export tradition. India's foreign trade can be traced as far back as the Rig Vedic period. During the 13th century, India was one of the chief markets of Asia. The Mughal rulers patronised trade with the Dutch, Portuguese and British. Indian spices and fine cloth were exported over centuries to the East as well as to the West. India's exports amounted to Rs.300 crores in

the 1920's. In 1926, India was reported to have been the fifth largest exporting nation in the world. By 1947-'48, in the first year of independence and the aftermath of the partition, India's exports was amounted to Rs. 400 crores.[2]

The exports of India increased from US$ 1,269 million in 1950-'51 to US$ 18,143 million by 1990-'91. India's total export share touched the mark of US$ 103091 million during 2005-06.[3] Our export basket includes gem and jewellery, textiles, yarn and made ups, ready made garments, leather and leather manufactures, drugs and pharmaceuticals, fine chemicals, marine products, agriculture and allied products and software products. Before 1990's traditional items like, jute, tea, cotton fabrics, cashew, spices, oil cakes, tobacco, and coffee dominated the Indian exports. Since 1990's the non-traditional items dominate India's exports.[4]

Textile Industry is playing a major role in Indian economy. The industry employs 35 million workers during 2006-'07 and expected to require an additional 12 million workers including 5 million skilled workers by the year 2011. The total textile export during 2005-'06 touched $ 17 billion. Textile exports have picked up momentum and increased by 20.54 per cent in April-June 2006, compared to the corresponding period of the previous year. The Government of India is having an ambitious target of $ 50 billion exports of textiles by 2011.[5]

The Indian economy has been posting an average growth rate of more than 7 per cent in the decade since 1994. The economy once again showed a positive sign with a growth rate of 7.6 per cent in the year 2004-'05 while exports of all textiles have seen an increase of 22.14 per cent during the same period. Garment exports grew by 28.21 per cent in the year 2004-'05 from US $ 6,567.44 million to US$ 8,420.16 million. Exports of cotton textiles (Yarn/ fabrics/ made ups), on the other hand have shown a growth of 12.70 per cent from US$ 34,553.30 million during April/March 2004-'05 to US $ 3,870.10

million in 2005-'06. Imports of textiles/ yarn/fabrics and made ups have recorded a growth rate of 19.23 per cent in the financial year 2005-'06 (US $2,704.36 million) over the financial year 2004-'05. (US $2,268.25 million).[6] In 2005-06, the exports of textiles including jute, coir and handicrafts increased from Rs.63024 .18 crore to Rs.75620.68 crore, registering a growth of 20 percent.[7]

The global trade in textiles and clothing is expected to increase from over US $450 billion in 2004-'05 to around US $655 billion by 2010, implying a growth rate of more than 7.5 per cent per annum. This growth would be driven by factors such as end of four decades of quota regime, growing world economies and rising per capita incomes, which is spurring consumption. This has increased trade in apparels to drive demand for fibre, yarn and fabrics from conversion centres, explosion in the trade in technical textiles, shift from off shoring of mere manufacturing/stitching to design-cum manufacturing and increasing penetration of large format retail stores globally and more specifically in developed countries.[8]

Indian Textile Industry has the unique feature of changing continuously to cater to the needs of domestic and inter national markets and the ability to face the challenges in the business environment. Home textile sector of Indian Textile Industry has a favorable future in the international markets. India's traditional rich culture has been accepted by most of the buyers in the international market. Some of the factors as quality, price, delivery, and design can sustain India a leading position. The home textile exports are forecast to rise to US $ 10 billion by 2010 from US dollars 3 billion in 2005, thereby strengthening India's position with an over three fold jump.[9] In spite of all these, Indian Textile and Clothing exports have been adversely affected by the appreciation of the real effective exchange rate during the quota free regime.

Kerala has a long tradition of export activities dating back to the era before Christ. In the past, Kerala's export trade was affluent and profitable. A lion's share of Kerala's trade is being conducted through the port of Cochin. It is expected that the volume of export will be strengthened on completion of Vallarpadam container terminal and Vizhinjam port. Important export items from Kerala are pepper, cashew, coir, and coir products, tea, marine products, spice oils, and oleoresins. Soft ware export is also gaining momentum in recent years. The total value of foreign export through Kochi port was Rs. 10,122.84 crores in 2005-06 with a quantity of 29,19,817 MT.[10]

Kannur is historically known for the concentration of handlooms. A factory type organization was made in the last century when the Basel Mission, over a period of 80 years of its operation (1834-1914), initiated far-reaching changes in the organizational and technological aspects of the traditional arts and crafts in the region.[11]

Karur is celebrated for home furnishing in the intercontinental market. The export basket mainly consists of made –ups, and furnishing clothes. The annual turn over of the textile business meant for export is around 3,000 crores and the Government of India conferred the title as the "Town of Export Excellence" in 2004. [12]

The winds of change had already started to blow in the textile sector. However, the challenges also lay ahead. World trade is about forging partnerships, where in risks and rewards are shared equitably. The resurrection of WTO trade talks should aim at solving problems of the Textile and Clothing sector irrespective of the borders.

Scope and Significance of the Study

The textile industry is providing one of the basic needs of people and thus holds importance in maintaining sustained growth for improving quality of life.

World nations are freely trading in textiles from 1st January 2005 onwards, after four decades of protection.

The Indian textile and clothing industry is the largest and oldest industry contributing 25 per cent of the total export earnings. Even though the small-scale cotton textile industry is spread all over the state of Kerala, it is mainly concentrated in three districts namely – Trivandrum, Trichur, and Kannur.

Kannur, the land of the Looms and Lores, are famous for made ups and home furnishings. Kannur is the only town from Kerala, which was accredited as the City of Export Excellence by the Union Commerce Ministry in 2004.

Karur, the City of Export Excellence in Tamilnadu, which exports the home furnishing products as that of Kannur, is showing a higher export growth rate both in physical terms and in value than that of Kannur of Kerala.

The proposed study of export performance of home furnishing textiles of Kannur and Karur is considered to be very relevant in the present situation of the greater demand for home furnishing textiles in the international and domestic market. The industry observers and experts expects a three fold rise in India's exports of home textiles to US$ 10 billion by 2010 from US$ 3 billion recorded in 2005. A comparative analysis of the two centers of export excellence of Kerala and Tamilnadu is a very pertinent research topic, which will reveal the various reasons for the contrasting growth of exports of home furnishing textiles in Kannur and Karur. The present study is hitherto an unexplored topic and hence it will help to formulate future export strategies and create a favourable atmosphere for export promotion of home furnishing textiles. Hence, the researcher proposed to undertake a comparative study of these two centers of export excellence to unearth the mysteries shrouded behind it.

Objectives of the Study

The present study has been designed with the following objectives in mind. They are:

1. To analyse the export performance of World Textile and Clothing trade in the Globalised scenario.
2. To trace the export performance of Indian textiles during the ATC implementation.
3. To examine the export performance of Textile and Clothing of India with special reference to Home Furnishing Textiles.
4. To evaluate the export performance of Home Furnishing Textiles of Kannur and Karur and to make a comparative study of these Centres of Export Excellence.
5. To highlight suitable policy recommendations for the improvement of Home Furnishing exports of Kannur at par with Karur.

Hypothesis

1. There exist significant difference in cost competitiveness in Home Furnishing Textiles at Karur and Kannur with regard to technology, managerial efficiency and working hours.
2. The future prospects of Home Furnishing Textiles at Kannur and Karur are promising.
3. The export performance of Home Furnishing Textiles at Karur is better than Kannur in the phase out of Quota Regime.
4. Welfare measures towards labourers of Home Furnishing Textiles in Kannur Karur are identical.

Data source and Methodology

The study is focused on the export performance of Home Furnishing Textile units of Kannur of Kerala and Karur of Tamilnadu. These two areas have been selected as the study area because of the heavy concentration of Handloom export units, which are specialising in Home Furnishing Textiles or Made- ups. Both of them excelled in the exports of Home furnishing textiles or made ups and acclaimed as the Town of Export Excellence by the Ministry of Textiles., Government of India in 2004.

The proposed comparative study analyses the parameters of export performance and suggests viable policy recommendations to make the export units of Kannur and Karur more vibrant and competitive in the Post Quota Regime.

For the purpose of the study, both primary and secondary data are used. Primary data has collected from all the 44 active export units of Kerala Handloom Export Organisation .Out of the 50 registered units of this organisation 6 units are irregular exporters. Like wise, in Tamilnadu, data was collected from all the 91 active export units of Manufacturers and Exporters Association of Karur. Out of the 115 registered units, the remaining units are non functional in nature. The researcher collected data as per census method with the aid of a pre-tested structured interview schedule. Discussion was also conducted with home furnishing exporters and in Kannur and Karur.

Secondary data was collected from various governmental and non-governmental agencies. Publications such as Compendium of Textile Statistics, Economic Survey of India, Kerala Economic Review, Hindu Survey of Indian Industry and various journals and books in relation to textile exports and home furnishing textiles etc. are the data sources exploited. The institutions like Kerala State Planning Board, Kerala State Industrial Development Corporation, Directorate of Industries and Commerce, Directorate of Handlooms and Textiles,

Centre for Development Studies, Trivandrum, The Textile Research and Promotion institutions like SITRA and SIMA of Coimbatore, IIHT of Salem, TEXPROCIL of Bombay, World Trade Centre of Bombay, Textile Committee Offices of Kannur and Karur etc. were visited for secondary data collection. Statistical tools such as Percentage analysis, Compound Growth Rate, ANOVA Test, Chi Square Test, Weighted Average Score, etc, are also applied to derive appropriate conclusions. For the statistical analysis, statistical package Statistica and Micro Soft Excel are also used.

Definition of Terminology

Home Furnishing Textiles were also known as Made ups, Home Textiles, Home Furnishings, House hold textiles etc. It is difficult to define or categorise all products of Home Furnishing Textiles under one umbrella. The major products may be categorised as:

- Bed Linen consist of Bed Covers, Bed Throws, Cushion Covers, Pillow; Pillowcases, Quilting Cloth, Quilts, Blanket, Blanket covers etc.
- Table Linen includes Table Covers, Place Mats, Table Mats, Napkins, Runners etc.
- Kitchen Linen comprises of Aprons, Gloves, Pot Holders, Lunch box covers etc.
- Other items include Floor Mats, Bath Mats, Bath Robes, Sofa Covers and Curtains.

Period of the study

The present study is undertaken by collecting data for a period of 10 years of Multi Fibre Arrangement Phase Out period from 1995 to 2004.

Chapter Scheme

The study is presented in seven chapters. The first chapter being the introduction deals with the scope, significance, objectives, hypotheses, data source, methodology, definition, period of the study and limitations of the study.

The second chapter deals with Review of Literature pertaining to the study. The third chapter illustrates Global Scenario of the Textile and Clothing industry. The fourth chapter deals with a detailed analysis of textile and Clothing Trade of India. The fifth chapter covers the study of Home Furnishing Textile sector. The sixth chapter evaluate the comparative export performances of Kannur of Kerala and Karur of Tamilnadu. The Seventh Chapter consist of Summary, Findings of the study and Recommendations to the Home Furnishing Export Units of Kannur and Karur for facing the threats of Quota free Regime.

Limitations of the study

This is a study basically relied on data collected from primary source. Respondent's subjectivity in the answer to the queries made if any may affect the conclusions derived. For analysing the data collected, different statistical tools are used. The inherent nature of the limitations of the tools that are employed may also exist in the analysis.

Scope of further Study

There is ample scope for the researchers to conduct empirical studies in various branches of Textile Exports, the impacts of the Free Trade Regime on Textiles and Clothing, Export performances of export units of North India, Export Performances of Silk, Wool and Hosiery and Knitted garments etc.

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CHAPTER II

REVIEW OF LITERATURE

REVIEW OF LITERATURE

As a preliminary phase of the search, the researcher has under taken a detailed enquiry about literature relevant to the study. Research theses, books, articles in journals were reviewed to assess the extent of knowledge in the selected area. Some of the important pieces of work the researcher examined are given,

Indian Industrial Commission's report (1919)[1] stated that the chief centre of cotton trade and cotton manufacturing industry is Bombay. The first cotton mill in India was started in 1838 at Goosery near Calcutta and the first to be opened in Bombay dates from 1853 with 5000 throttle spindles. In 1918, the total number of cotton mills in India was 269 with 6,614,269 spindles and 114,805 looms. Of the total cotton produced in India, half is exported raw, quarter in the form of yarn, while the balance is manufactured into yarn and cloth in Indian mills. At the outbreak of I World War, India ranked as fourth among the cotton textile manufacturing countries of the world being exceeded by Great Britain, United States and Germany. Bombay is the principle port of shipment, to Aden, East Africa, Persia, Zanzibar, The Straits and Baluchistan, Ceylon and Sumatra. Of the ports participating in the export trade, 51% went from Bombay and 46% from Madras.

Brown C.H.(1955)[2], in his study observed that, there is little of accurate history of cotton in Egypt before the time of the famous Jumel, though there is a probability that the plant had been known for many centuries, having originally developed in India.

Kapoor A.N. and Shivchand(1959)[3], in their study suggested that the cotton textile industry of India is the largest single mechanised and organised industry. The steady progress of the textile industry may be traced in five major

phases. The early phase of its development comes up to 1914, the second to last up to 1926. In spite of considerable advance in production, the industry was faced with intense competition from abroad and sought tariff protection from the government. The third phase last up to the beginning of the II World war during which period the industry had to face numerous ups and downs. The fourth phase comprises the period from the outbreak of the II world war to 1947. The fifth phase which began after the partition of the country, presented the industry with problems relating to the availability of its main raw material, raw cotton, but during this period the industry gradually emerged as a major export industry.

Study Group on Hand loom (1964)[4], in their study found that, the export of hand loom textiles has been developed principally by individual exporters. The study group recommended that, the co- operative sector should pay more attention to production of exportable varieties of hand loom fabrics and play its due part in the export trade. The establishment of the Handicrafts and Hand loom Exports Corporation has given an impetus for export of hand loom fabrics to the non traditional markets, especially to USA and Western Europe.

Hill I.C (1969)[5] , in his study revealed that, textiles are used not only for the formal needs of human daily life but also in every industry, either for production purposes or in the product itself, particularly so since the introduction of fully synthetic man made fibres. The end uses may be divided into apparel clothes, household textiles, furnishing fabrics, and industrial textiles and each of these has a wide range of variety and application. Apparel clothes are worn to provide warmth, to give protection against rain, heat, chemicals, radiation, or to adorn. The apparel takes the form of either outwear or underwear. Cost, fashion, suitability and sightlines determining which fibre or admixture of fibre are chosen. Households, textiles, Furnishing fabrics, and industrial clothes are varied in their use.

Brian Toyne and Jeffrey S.Arpan.(et.al) (1984)[6], asserted in their research study that developing countries have a distinct advantage in the manufacture of 'mass market' textile mill products with high volume, low coast fabrics and yarns. They also have access to local, generally well protected high growth apparel markets and to local apparel industries having a comparative advantage in the manufacture of 'mass market' apparel destined for developed countries like under garments, children's wear , less fashion – sensitive shirts and blouses. The textile mill industries of developing countries are faced with strong and increasing protectionist sentiments in the markets of the developed countries, with demand for more orderly growth in their trade of textiles and apparel and in some foreign markets with a poor quality image.

Deshpande M.V. (1985)[7], in his study examined the existing export promotion institutions in providing incentives and services to the exporters. The study disclosed that an export firm should have information about the potential markets of every country in which it is interested. A key function of an export promotion institution is to provide export marketing and general trade information to government departments dealing with foreign trade.

Sankara Narayanan and Karunakaran V.C. (1985)[8] ,in their study ascertained that the handloom industry is greatly concentrated in the districts of Trivandrum, Kozhikode and Kannur. The northern districts produce handloom fabrics to cater to the export market and the southern districts specialize in the production of finer varieties for meeting domestic demand. Since a major chunk of the total production of handloom fabrics of Kerala reaches consumers out side the state including foreign markets, the level of employment and the income of those engaged in the industry are largely determined by extraneous circumstances such as changing fashions and tastes of consumers, the rise of new competitors, different trade policies of the trading nations and mechanized production of fabrics made of close substitutes. Hence in order to make the

industry move on an even keel, it is necessary to build up an expanding local market.

Sarangadharan (1985)[9], in his study asserted that, 88 percentage of handloom weaver's co operative societies of Kerala were running at as loss due to wide fluctuations in the price of yarn, insufficient arrangement of supply of yarn to handloom societies and unscientific marketing practices of the societies. He recommended that, apex societies should ensure adequate supply of yarn to the primary societies at fair prices, setting up of mini spinning mills with centralised processing arrangement, standardisation of quality of yarn and dye housing arrangements for the improvement of the socio – economic conditions of the hand loom weavers' societies of Kerala.

Wind gate B. (1985)[10], in his study stated that, home furnishing textiles, also linens and domestics, as well as house hold textiles, have broad general usage both on the home front and in commercial and institutional use. Where ever people furnishing a living environment, one finds home furnishing textiles - at home, in hotels, motels, hospitals, college dormitories and in a host of other places. Bed coverings, towels and table coverings are very important part of home furnishings. Now that dyes are fast, printing more attractive and woven designs more varied, fashion has really entered the domestic field. Consumers should give as much considerations to the assembling of bed and table coverings and towels as they do to the buying of personal wardrobes. Care in selection and proper care in use ensure the durability and long life of home furnishing textiles.

Vijay Kumar C(1986)[11] ,in his study of the 'Hosiery Entrepreneurs at Tirupur, Tamilnadu', observed that the art of spinning, weaving and dyeing have been practiced before 5000 years, but the hosiery or knitting is of recent origin, an addition to the existing art of fabric manufacturing. He attempted to estimate the present position of hosiery industry, to analyse the output, employment and

generation of income and studied about the various marketing channels and maladies and evaluated the export potential of hosiery industry.

The researcher opined that Indian hosiery industry has a tendency to agglomerate in certain regions and cities like Ludhiana in the North specialized in the wool knitted fabrics, Tirupur in the South specialized in cotton knitted fabrics, Bombay in the West in multi phase fabrics. Ecological imbalances, water scarcity, and pollution of air, water and sound, cut throat competition from substitutes, faulty appraisal of projects and delayed payments, are the lacunas faced by the industry. The vast export potential of this industry is not yet fully explored for want of appropriate policy measures.

Subramanian G (1987)[12] ,in his study reported that, the largest employer in the industrial sector is the industries with cotton as its pivotal raw material. Cotton ranks third place in India, constituting five percent of the total cropped area. It is a unique crop in India with vast potentialities in the value addition process. More than eight percent of cloth in India is cotton, which includes the cotton component of blended fabrics.

Kevin S (1988)[13] , in his study of 'Comparative financial analysis of the cotton textile industries of Kerala with Tamilnadu' divided the cotton textile industry into three distinct sectors. The mill sector, power looms sector and handlooms sector. The researcher confined his study to the mill sector which comprises of 27 mills of Kerala. The study analysed the profitability of the industry as well as the individual mills, the cost structure, working capital management and tried to estimate the financial structure and investment in operating assets.

This study is designed as a descriptive research devoid of hypotheses for testing the empirical data. The researcher followed the census method by incorporating total population of 27 spinning mills of Kerala.

The empirical results of the study highlighted that operational efficiency of spinning and weaving mills in Kerala is not up to the mark in its profitability and financial viability at par with their counterparts in Tamilnadu. The inter firm variations in profitability, declining trend in economies, low ownership contribution, high debt financing, excessive reliance on short term finances are the weakest links of the industry which warrants appropriate policy measures from the stake holders of central and state governance.

Ahamedabad Textile Industry Research Association (1990)[14], in their study asserted that, in low cost developing countries, Textile and clothing Industries are growing industries rather than sunset industries. These industries play a key role in the national economies of many developing countries in term of employment, industrial output and export earnings. Government policies in many of these countries are framed with the objectives of enhancement of manufacturing capacity and production, employment protection, import substitution and export promotion. The common measures for export promotion are concession facilities for the import of machinery and other inputs for export production, tax incentives, neutralisation of cost handicaps and direct cash subsidies. There are also sustained efforts aimed at increasing productivity, quality and unit value. A number of developing countries have also introduced modern technologies in an attempt to move into upper market segments.

Handloom Export Promotion Council (1990)[15], in its study observed that, handloom made ups are likely to continue to command good responses in the international market. Trends in house hold textile market are as transitory and tyrannical as in the world of fashion fabrics. Consumers in sophisticated markets are becoming increasingly particular that their home furnishing and linen should confirm to prevalent colour or design parameters. Large volumes of business will be generated in accordance with changing trends, but exports must necessarily keep in close touch with the market and periodically update their range of products. Colour coordinated house hold linen and furnishings must be

marketed in the form of ready to use packages. Departmental store chains and institutions, hospitals and hotels must be exploited. Provided quality, in terms of minimisation of fabric flows, colour fastness and excellent finish, is maintained, the market for handloom made up articles is likely to grow substantially.

Jeyaram P.(1990)[16], reported in his study that, Hand loom Industry in the un organised sector is sound and highly profitable one as against the general belief that it is a perennial sick child requiring constant patronage and motherly treatment. The dependent weavers, who are the vulnerable section of the hand loom definitely require a better treatment from other functionaries on whom they are dependent and from the government. The employment in this sector is highly restricted to the traditional weaving community and hence the possibility of others joining the labour force is impossible. The industry is witnessing both prosperity and problems.

Sivayya.K.V and Das V.B.M (1990)[17], in their study opined that the Textile Policy of 1981 envisages a rise in the production of cloth from 10,635 million meters in 1979-80 to 13,000 million meters in 1984-85 or at an annual compound rate of 4.6 percent. This policy attaches high priority to the handloom sector, which is expected to expand production from 2,900 million meters to 4,300 million meters or at a compound rate of growth of 7 percent per year. Regarding the mill sector, new policy allows marginal expansion in the weaving capacity specifically oriented for exports. Under the Janatha policy many vital issues of the industry such as giving emphasis on aggressive export strategy, spelling out some steps for giving effect to Multi Fibre Policy, encouraging development of Seri culture, Khadi, Hosiery sectors etc. were given prime importance.

Jamshed Nasir (1991)[18], in his study found that workers of the cotton textile industry have the highest share in the total cottage industrial workers. In 1961, there was 50.66 per cent of the cottage workers engaged in cotton textile

in Mohammadabad. This share increased to 53.34 per cent in 1971 and slightly declined to 51.75per cent in 1981. In 1961 the maximum percentage of the cotton textile workers was found in Mohammadabad with 90.98 per cent. The minimum percentage of 16.57 was found in Varanasi. In 1971, the range of variation in the share of the cotton textile workers had decreased a little. The maximum proportion of the cotton textile workers, 95.91per cent was found in the case of Mohammadabad, while the minimum proportion (24.33%) was recorded in Varanasi. In 1981, the range of variation in proportion of the cotton textile workers was almost the same as that in 1971 from the minimum of 23.61 in Machlishahr to the maximum of 96.61per cent in Mohammadabad.

Parthasarathy M.S and Patil N.B (1991)[19], in their study stated that, earning from export of cotton, linen and textile goods account for a substantial portion of the countries total exports and the present economic situation necessitates still higher exports. To capture the world market, Indian exporters should improve production and quality of cotton.

Roy pepper and Har Battacharya (1991)[20], in their study asserted that, the Japanese began feeling the pinch of competition in the textile business toward the end of 1960's, first in their export markets and shortly after in their domestic market. Japan's share of world share of exports shrank from 10% to 5.5% between 1970 and 1980 as the East Asian Trio including Korea, Taiwan and Hong Kong virtually ousted it from some segments of the market, particularly those characterised by labour intensity and standardised products. Identifying secular rise in real wages as being the main cause of declining comparative advantage, the Japanese authorities under took a series of measures to prod as well as assist the industry into adjusting in the direction of greater knowledge intensity and higher productivity.

Industrial Development News for Asia and the Pacific (1993)[21], in their research study reviewed that, the textile and garment industry has historically

played a crucial role in the industrial development strategies of developed and developing countries. Adrift in policy from import substitution to export oriented growth and technological up gradation undergone by these industries facilitated export growth to the industrialised countries. The Newly Industrialising Economies (NIEs) in Asia, particularly Hong Kong, Korea, and Taiwan province of China benefited substantially from the dynamic export oriented expansion of their clothing industry. China and India have always belonged to the world's largest textile producing countries, but India failed to exploit these opportunities due to the large domestic protected market. Many developing countries are now upgrading their exports by extending the textile conversion, sequence through apparel manufacture, thus increasing the value added to the exports.

Manmadhan.B (1993)[22], in his study "Management practices in the Textile Industries in the public sector in Kerala" examined the practices of general management process and management efficiency with special reference to financial management in the public sector cotton textile mills in Kerala in comparison with private sector mills. He also examined the financial management practices in the functional areas such as financial planning, organising, directing and financial control. His study revealed that, the private sector have more effective control over the production, finance, and other functional areas of management than the public sector textile mills.

Sanjiv Misra (1993)[23], in his analytical study found that, despite the advantage of a head start and favourable factor endowments, India has intriguingly been unable to withstand the competition from other, generally higher wage, developing country late comers. The changing market share of India and her main Asian competitors in the export of textile and clothing over the last one and a half decade indicated a steep decline in India's competitiveness in textiles. Due to the erosion of market shares of textile exports, the growth of Indian Textile Industry has been tied down to the growth of domestic demand. On the contrary, India's south East Asian competitors who

followed more outward oriented strategies of development were able to take full advantage of the shifting international comparative advantage and textile led growth in this area.

Tulsi. S.M.S.(1993)[24], in his study stated that, the rapid expansion in the textile exports from developing countries to developed countries has resulted in protectionist tendencies particularly in the worlds two largest textile importing areas, the EEC and the USA leading to the establishment of MFA. Subsequently each renewal of the MFA has tightened access of developing country exporters to developed country markets. This, however, has in the process also led to significant changes in the pattern of trade. In order to capture sophisticated markets, MFA has provided an incentive for these newly industrialised exporting countries to restructure their textile industry, to upgrade quality by continuous innovation and application of newer technologies and to go in for higher value addition of exports to maximise foreign exchange earnings from special volume quota.

Dalmia R.K. (1994)[25], in his study reviled that a large variety of technology is existing side by side and competing with each other, particularly in the weaving sector. On the one extreme, there is the traditional hand loom technology, power loom technology in the middle and the state of the art weaving technology on the other extreme. While co-existence of varying technological sophistication is worthy of not, many foreign textile experts attribute this phenomenon as one major factor for the poor state of affairs of the weaving sector in India. Exporting mills have been taking steps to increase the share of value added processed cotton fabrics. For this purpose, many mills have installed the latest equipments for finished fabrics. One of the inhibiting factors in boosting exports of processed fabrics is high cost of equipment for finishing fabrics.

Chandan S.Gokhale and Vijaya Katti (1995)[26], in their study opined that, looking at our existing situation with regard to cotton production, capacity utilisation rates in weaving, the estimated growth in spindelage, the high cost economy prevalent in the synthetic textile fibre sector and the international competitiveness in respect of yarns, fibres, fabrics and garments, Indian cotton textile producers are likely to face many challenges as a result of the globalisation. They view globalisation essentially as lowering down the height of the tariff walls which will permit free access of the international suppliers to Indian markets and also a free availability of markets for Indian textile goods. While the first is a certainty, the second is necessarily an uncertainty. The challenge is how fast we can make our Textile Industry strong and capable to handle the threat from out side world, then only Globalisation would mean a promise for India and not a threat.

International Trade Centre(1995)[27], made an analytical study and explained that, the European Union with its single market undoubtedly offers developing countries with substantial opportunities for an increased export trade in textile and clothing. The upward in the trade is almost certain to continue, albeit at an uncertain rate of expansion. Many developing countries have already gained more than a foot hold on the market and the recent ITC research on cotton yarns, grey cloth and cotton house hold textiles has confirmed not only the existence of a large market but also that the production is right. Besides, stringent technical specifications the quality requirements must be satisfied. Regarding the manufacturing process, it will also be necessary for exporters in developing countries to confirm to the requirements prevailing in the importing countries. The reallocation of trading prospects between developing countries, the development of global trading blocks, competition from Central and Eastern Europe and the saturation of developed economy markets are the concerns of the developing economies.

Misra S.K and Puri V.K (1995)[28], in their study observed that the fast development of power loom sector has attributed to a host of factors like government's favourable policies on synthetic fabric industry, ability of this sub sector to introduce flexibility in the product mix in line with the market situation, low labour costs achieved indirectly through the flexible use of labour itself resulting in lower cost of production, providing an edge in the market, and increase in exports from the power loom sub-sector.

Shukla.R.S (1995)[29], in his study opined that, India has been an exporter of textiles, silks, and other fabrics from time immemorial. Evidence has been found of a brisk trade between India and the ancient Roman Empire and even the Middle East kingdoms. From the south, regular visits were made to the South East Asian countries and even China. The advent of the East India Company and the British led to the extinction of Textile Industry. The World War II rekindled the old spirit when the manufacture of textiles, woollen products and garments was encouraged once again. The 1960'sand 1970's witnessed a slow revival of textile exports. This figure increased and expanded to the magic figure of Rs. 12,000 crores in the mid nineties. Today this Industry is experiencing competition, both national and international and is getting tougher every day and most of the advanced countries are resorting to some kind of protectionist practices. The impact of the law of comparative advantage is bound to felt.

Nambiar A.C.K(1996)[30], in his intensive research study at two different time periods established that, handloom products have good export prospects. Due to the disorganised nature of the industry and for want of quality the potential remains unexploited. Proper exploitation requires organisational efforts in offering quality products, keeping constant touch with markets, continuous research support and innovations in designs to suit the requirements of changing tastes and fashions. Handloom technology Institutes should be paid to invent and innovate new designs, new patterns and dissemination of knowledge to weavers to help development of hand loom exports. It is also desirable that exports

should be brought under an organisational fold. The study recommended that NHDC should take over the function and execute work orders through state level corporations and Apex societies.

Report of the high powered committee on handlooms (1996)[31], recommended that, to achieve a quantum jump in exports - extensive international market research may be under taken to plan export strategies. Instead of catering to only middle and low end of the market, efforts to encompass higher ranges may also be made. A comprehensive project package for development of exportable products should be developed. Testing facilities including tasting of Azo-free dyes, vegetable dyes may be made available to all the major handloom concentration areas with the assistance of central, state government. To provide a continuing competitive edge to exporters, the tax structure and incentives may be periodically reviewed and the non tariff barriers should be effectively tackled. Sample libraries and facilities for quick development of samples may be set up in all WSC's to provide a reference point for the foreign buyers. HEPC/WSCS may maintain an extensive up to date data base on Indian products, manufacturers, exporters and importers.

Compendium of Textile Statistics (1997)[32], discloses that the textile industry has got an overwhelming presence even during pre-independence era. Due to partition, a lion's share of the cotton growing areas went to Pakistan, and as a result, the growth was slightly slowed down. As a result of concerted efforts, the country could increase the production of cotton, which has augmented the growth of the industry. The growth during the first two decades had been gradual though lower, and growth had been considerably slower during 1960 and 1970s. The increase in the production of cotton, independent spinning capacity and spectacular growth in the man made filament yarn sector had also aided the growth of decentralized weaving sectors.

Mohammed K.K (1997)[33], in his empirical study of 'Financial Management in Textile mills in Kerala' observed that this is the oldest and largest single manufacturing industry of Kerala which pioneered in the industrialization process of the state. This industry acted as a shock absorber to hedge the risk of unemployment and enabled the state to acquire additional foreign exchange earnings.

The researcher confined his study to the spinning mills coming under the organized sector. He reviewed the present position of the textile industry , financial management, capital structure, cost of capital, capital budgeting, working capital management, profitability, and cost behaviour of the textile mills in Kerala during the period 1988 - 89 to 1992-93.

Census was the method of study and the population amounts to 25 spinning mills. The study was based on primary and secondary data and principle tool of statistics used for analytical purposes includes ANOVA and ANCOVA The robustness of the findings of the study crucially hinges on the inadequate finance, heavy indebtedness, high cost of borrowing, high fiscal levies, poor profitability, sickness, etc.

Abdul Kalam A.P.J and Rajan Y.S (1998)[34], in their study argued that, the textile sector is crucial for India to meet its domestic needs and more important to provide the major share of its export earnings. While there are a number of strengths in this area, there are also a number of technological weaknesses. Even now, India depends upon imported machinery for quality production. India can be a leading textile producing country and become a top player in the global market by adopting and propagating modern technology in all spheres of production.

Antonio Rigamonti (1998)[35], in his analytical study asserted that, the financial collapse of several economies in the far east, had severe repercussions not only on the textile industries of these countries, but also on the textile and

apparel sector of all countries. The mill to home consumption ratio in the US has gone from 98 percent in 1980 to the low 70's in 1993. This reveals that, the textile industry in the industrialised countries would continue to decline and be replaced by the textile industries of developing countries, particularly from Asia. The implementation of the North American Free Trade Agreement since 1989 has been beneficial to the textile industry since more and more apparel imports have been diverted from Asia to Mexico and the Caribbean Basin countries. The import share of Mexico and the Caribbean has increased by 50 percent in the last five years, while the market shares of China, Hong Kong, India and the rest of the world have decreased.

Kasthuri T. (1998)[36], stated in his study that, the textile crisis require a good focus and attention on productivity studies in mills. Occupational category differences may be minimised by following scientific assessment methods and wage fixation. Productivity linked wage system will help the Textile Industry to meet increasing market challenges and growing demand from workers for higher wages. Comparative views and ideas from textile mill workers, management, Trade unions and consultants also strengthen the objective of evolving the productivity linked wage model.

Shuji Uchikawa and Ajay Kumar Jain (1998)[37], focused in their study, the export of textiles and garments by documenting the structural changes in the Indian Textile Industry, focusing on the export of textiles and garments .The Indian Textile Industry employs several modes of production that is the khadi, the handloom, the power loom and mill sectors. These four sectors have coexisted, even while they have competed with each other. Recently, however the structure of the Indian Textile Industry has changed dramatically, a fact reflected in the export performance by the various sectors. While the mill sector has lost the market share in the domestic market, the share of the power loom sector has been rising steadily due to lower production costs.

Vasanthagopal R (1998)[38], conducted a study on the labour management relations in Textile Industry in Kerala, to find out the nature and causes of disputes and their impacts on textile industry, to examine the role and involvement of workers, unions and management in disputes in Textile Industry and to study the performance of the dispute settlement machinery in settling disputes. He selected eight textile mills of Kerala for his study. He observed that, bonus, wages and allowance and work load were the main causes of dispute in Textile Industry in Kerala. The workers of the industry believed that strike was not a worth while measure to address their grievances.

Billie. J. Collier and Helen. H. Epps (1999)[39], in their study stressed that, Textile products may present some safety concerns to consumers but can also provide protection under certain conditions. The flammability of both apparel and home furnishing textiles has been of concern for many years and is regulated by the federal government. Most textiles must pass a minimal flammability standard , while more stringent regulations exist for children's sleepwear, carpets, mattresses and mattress pads. The hazards of chemicals used on textiles are not specifically regulated but are assessed and controlled by producers.

Giuseppe Gherzi (1999)[40], in his analytical study unveiled that, the capability of Indian Textile Industry has to be enhanced and it has to be taken into consideration four major factors such as industry, structure, demand conditions, government support and factor conditions. In the industry structure focus has to be given on down stream manufacturing and where ever the weaknesses are existing, they have to be remedied. On the demand conditions side, the size and the volume of the domestic market has to be given due attention in both development of export market and domestic market. .On the government support, the plugging off duty evasion, rationalisation, excise duties, labour laws and infrastructural procedural obstacles should be given due attention. Factor conditions involve the availability of the raw materials at

competitive cost which has impact on the quality of products. Cost of power consumptions and other utilities also need to be reduced.

Santhanam.V. and V.Sundaram (1999)[41], stated that, the East India Company with the royal charter presented to the Mughal Emperor Jehangir in 1615.A.D. by Sir Thomas Roe started establishing trading ports and factories to produce cotton goods. The first factory was established at Surat and the second at Madras in 1639 A.D. direct trading of cotton goods to Britain began in 1640's through the port of Calicut, thus earning the name of "Calico". The English first exported Dacca Muslins in 1666 A.D. in due course the new cloths began to appear as a threat to the then British Woollen industry. The industrial revolution in the 18th century with the invention of spinning and weaving machines strengthened the Lancashire share in textile industry. In 1793, the east India Company in London revised their policy to increase the export of British manufactured goods. In 1850, India accounted for one sixth of the total textile exports from England and also became the largest consumer of British textiles. India was thus reduced from the supplier of manufactured cotton goods to that of a supplier of raw cotton for the British textile mills.

Mathew P.M (1999)[42], in his study disclosed that, the textile industry is one of the most important industries that have been profoundly affected by the government's policies to protect and promote traditional and other small scale industries. In the early 1950's the handloom and spinning wheel continued to be for Gandhian symbol of independence and hallowed instruments of the most desirable way of life. It was envisaged that handlooms would produce mainly Khadi. Khadi still absorbs much of the budget devoted to village industries but is quantitatively negligible because handloom operators are supplied almost entirely by mill yarn. The upshot of governmental production policy in the 25 years from 1956 to 1981 was a slow average annual fall in mill production; 0.7per cent a year, a somewhat faster rise in handloom output +2.2per cent a year, and a rapid rise in power loom output 8.2 per cent a year.

Prabal Ranjan Roy and Samar Verma(1999)[43] , in their study exposed that, Indian Textile Industry can be compared to a pyramid of ice floating in water. Only a tenth of the pyramid is visible, in the form of large textile mills in the organised sector. The body of the textile pyramid consists of the decentralised power loom and handloom sectors, which account for the bulk of India's production. The base of the pyramid is the downstream apparel and household textile sectors. The entire pyramid employs about 20 million workers – most of who work in small firms in the decentralised sector. The structure of Indian textile industry is as varied and deep rooted as its reform, challenging and daunting.

Prem Malik (1999)[44], in his study divulged that, the motive of the Textile Industry should be to supply to consumers high quality innovative products which are better and cheaper. Innovation will be the rule for ensuring consumer satisfaction. Unlike in the past, present day consumers have a different perception of their wants and expectations and they govern the market. Since the scope for increase in textile consumption in volume is limited, the only alternative left is to attempt growth in terms of value addition. Innovation and creation will be the engines for future growth of textile. This will need sustained modernisation, since old vintage technology cannot service the same. It will be absolutely necessary to be able to produce smaller quantities in shorter terms and to provide adequate after sales service. Usage of information technology will help to achieve this goal. It will also be necessary to bring the professional skills in the line with the market requirements.

John.K.C (2000)[45], in his research study analysed the growth trend, commodity composition and destination of exports of India in general and export of marine products and spices in particular. The study also incorporated the current practices and problems of Kerala with a view to suggest suitable policy prescription for improving maritime trade of Kerala. The major findings of the study pinpoints the cutthroat competition in the global market followed by

sustained fall in prices of exports and hike in cost of production were the important hurdles of the exporters.

Agarwala P.N (2001)[46], in his study evaluated that, the last 150 years of textile industry have witnessed its gigantic transformation in diverse directions. About a million workers are presently on its rolls. The organized textile sector has lost much ground to power looms and handlooms over the years. The spinning sector has done better than composite mills. Textiles, apparel and garments constitute a one third of India's exports. This sector faces numerous challenges and opportunities in the 21st century. New entrants like South Korea, Taiwan, Hong Kong, Singapore, China, Indonesia, and Thailand, whose resourcefulness is backed by new techniques of production, has become very formidable competitors, particularly in the share of the blended fabrics and garments. Global competition has increased in the last few decades as Mexico has emerged, as a formidable competitor in the U.S.A. and Canadian markets after the North American Free Trade Area was constituted. Even the Philippines, Sri Lanka, and Bangladesh has increasingly been making in roads in this sector, resulted in Indian garments exports at the lower end to the tune of 3 to 4 percent in 1998-99. After the Multi Fibre Arrangement, India will face tremendous Chinese competition.

Kaplan N.S(2001)[47], in his study examined that, the Ministry of Textiles is responsible for pooling, formulation, regulation, development and export promotion in respect of the textile sector including cotton, wool, silk, jute and other fibres and handcrafts. The development activities of the ministry are oriented towards making adequate quantities of raw materials available to all sectors of the textile industry and augmenting the production of fabrics at reasonable prices from the organized and decentralized sectors of the industry. To address the multi-frame grievances of the industry, urgent attention is required from the part of policy makers to diffuse technological scientific knowledge to the appropriate sectors of the industry.

Mahadevan M.G (2001)[48], in his study identified that, India is the second largest producer of textiles in the world next to China. In the World economies Indian Textile Industry can do much better with the government policy, backing the strategy of the Indian textile industry. He recommended vital measures like ban on the export of cotton, with a mechanism to ensure reasonable prices to farmers, duty free imports of capital goods, interest rate on pre-shipment packing credit to be brought to the levels ruling in the International markets such as 10 per cent, removal of SSI regulation on garment industry, to bring in the ginning industry under the purview of the Textile Ministry, instead of Agriculture Ministry as it is today.

Ministry of Textiles (2001)[49], in their study established that, the Indian Textile Industry is large and diverse, unique for its coverage for the entire gamut of activity, from the growing of the raw material to the putting out of the final consumer products on retail shelves. Impressive in the complexity of its structure , stretching from the technologically advanced , capital intensive mills on the one hand to the most primitive single hand loom units on the other ; extra –ordinary in the range of its enterprises, from traditional and the ancient to the state – of- the –art and the haute couture, and , above all ,profoundly fascinating; endless variety of its kaleidoscopic configurations, it covers the widest possible varieties of activities that can be bracketed together.

ShishirJaipuria (et al.)(2001)[50] declared in their study that, the integration of the global economy and the internet based "new economy" bring profound changes to the way of global economic growth. Modern technology is being introduced in traditional industries generating fresh blood for economic development. The phase out of quota restriction in textile production and free trade would change the rules of the game in the new globalised environment. Indian Textile Industry is to restructure itself for the future. The development and restructure in China's and Pakistan's Textile Industry is a wake up call for India. In 1980 China's share in world textiles was 4% against India's 2%, while

Pakistan was not in the reckoning so far as the Textile Industry is concerned. Today, China's share (including Hongkong) is 25% and that of India's is 2.7% and Pakistan has moved fast to carve out a definite niche in the international textile market.

Tony Lines and Margaret Bruce (et al) (2001)[51], in their study stated that globalisation as a phenomenon is itself a consequence of competitive pressures that have led textile and clothing producers towards an endless search for ways to lower production costs, firstly through efficient measures often internal to a single organisation locked in a continuous supply chain. Secondly, the search for lower cost sources of supply shifts production and organisations controlling productions to offshore locations throughout the globe, where conditions are more favourable than in the home markets where the products will be sold and consumed. Often these global shifts have a devastating impact upon domestic markets, where production jobs are lost, investment declines and trade balance worsens.

Arindam Basu and Shanmuganandam (2002)[52], in their study asserted that, the Indian textile industry has a significant presence in the Indian economy as well as in the world textile economy. The involvement of this industry in Indian economy is manifested in terms of its contribution to the Industrial production, employment generation, and foreign exchange earnings. In the world textile scenario, India is the largest producer of jute, second largest producer of silk, third largest producer of cotton yarn and fabrics. Considering the inherent strengths of this industry in terms of a strong raw material base, skilled man power and low wage costs, it has immense potential in the globalised textile economy.

Jayapal S (2002)[53], in his study determined that weaving is the most important and useful of all artistic crafts and forms and integral part of human civilization. One fifth of the working world is engaged in weaving and in its

various branches. This is true in consideration of its universality, necessity and value of production to human society. The patience and perseverance required for handloom weaving, have contributed to enrich habits and character to those who have been engaged in this art for generations. Modern culture is no less indebted to this noble and dignified art, which has been professed from a king to an ordinary man in different ages of history. This craft has also accounted for a vast amount of invention and ingenuity both of mechanical and artistic kinds.

Manilal.M.K (2002)[54] , in his evaluative study about the four mills of The Kerala State Textile Corporation has set the objectives such as organisational set up and operation, quality and quantum variation and constraints in the effective exploitation of resources. The study concluded that, the KSTC mills could not attain capacity utilisation due to absenteeism on the part of workers and management, the back log of modernisation and low productivity have affected the operating profits of the mills adversely.

Nanda kumar (2002)[55], stated that there are 39 textile mills in Kerala, comprises of 37 mills and 2 composite mills. He examined the measures taken by the textile units in the management of human resource, the views of employees regarding the existing arrangement, and the measures adopted for human resource management by the textile units in public and private sectors. The researcher selected the only two composite mills of Kerala for his study.

The researcher revealed that the percentage of supervisory staff was higher in Western India Cottons than in Parvathy Mills. The wages and salaries fixed for the employees in the textile units are very low compared to the other industrial units both in the private and public sector. So youngsters are not attracted to the industry. There had been no expansion and development in the Textile Industrial units in the state for the last twenty years.

Prasad Rao and C.N.Krishna naik (2002)[56], in their study observed that, Indian handloom products have got global name and fame. History has revealed

that the handlooms have in both developed and developing countries such as U.S.A., U.K., Thailand, United Arab Republic etc. The Indian handloom products comprises of Sarees, Carpets, Bed sheets, Bed spreads, lungies, towels and other materials which are suitable for the different persons for different occasions with different tastes, cultures and features.

Saksena K.D (2002)[57], comprehensively analysed the growth of mills, power loom and hand loom sectors of India's Textile Industry in its relevant aspects like capacity utilisation, productivity and employment generation in public, private and corporate sectors. The study also analysed regional patterns of growth of mills, power looms, handlooms, cloth and yarn production and sickness in Textile Industry and the changing consumption pattern of textiles in urban and rural areas. Besides it reported changing pattern of demand, consumption and availability of natural and man made fibres and behaviour of prices of textile fibres, yarns and fabrics.

Alan Winters.L and Pradeep S. Metha (2003)[58], in their analysis stressed that; the supply chain of cotton textile industry in India is extremely fragmented chiefly due to government policies and lack of coordination between the industries and the relevant trade bodies. The countries that are globally competitive are those who have a significantly consolidated supply chain. Some of the countries listed in this category are Korea, China, Bangladesh, Turkey, Pakistan, and Mexico- can be considered to be the India's competitors in the global market for exports.

Ishwar.C Dingra (2003)[59], in his study revealed that, international trade enables countries to explore means of procuring imports of capital goods, flow of technology and some short run multiplier effects for countries with unemployed labour. It generates pressure for dynamic change through competitive pressure from imports, pressure of competing for export markets and a better allocation of resources. Exports allow fuller utilisation of capacity,

increased exploitation of economies of scale, separation of production patterns from domestic demand, and increasing familiarity with absorption of new technologies.

Rajesh Bheda (2003)[60], in his research study emphasised that, textiles and apparel industry in today's contemporary market place is a truly global industry. In the 16th century cotton fabric production in England was a cottage industry. In the later part of the 16th century, cotton fabric of India, which offered whiteness, cleanliness and brightness gained popularity. This increasing popularity of colourful handloom Indian fabric led to restrictions on Import of cotton fabric from India in order to develop the British Industry. Even though handloom continued to be used for weaving fabrics, the power loom developed by Cart Wright in 1795 found its wider application from 1810. Later half of the 18th and early 19th century witnessed major growth in textile industry and Britain had 70% share of the world textile trade. In early 19th century the proportion of textiles in total manufacturing of the developed countries like USA and UK started falling as Japan emerged as major textile producing country. In the 1950's and 60's the other developing countries like Hong Kong, South Korea, India and Pakistan also witnessed the development of textile and apparel industry.

Srinivasan T.N and Suresh D.Tendulkar (2003)[61], expressed in their study that, the closure of the economy over four decades from independence in 1947 to the macro economic crisis of 1991 was an integral part of a planned effort to force rapid growth and industrial development. The current move toward market opening is an equally ambitious development plan. The removal of tariffs, the relaxation of Industrial policies and the extraction of the government from the business sector have been slow and subject to political obstacles and bureaucratic inertia. The outward orientation policies followed by Japan and China have played a powerful instrument role in their growth process.

Sundaram G.K(2003)[62], in his study underlined that, Indian policy of looking inward till one become cross eyed, being obsessed with pleasing political constituencies, chaining indigenous industrial and entrepreneurial strengths and failing to keep a constant finger on the pulse of the world outside. Indian government policies in the past fifty years have left Indian industry puzzled and panicky on the eve of the total abolition of quotas. Entering the World Trade organisation (WTO) with out preparing ourselves for a free trade based world by developing our potential, as China has done, has resulted in falling between two stools - poorly developed internal strengths and poor external competitiveness.

Ashok.N.Desai (2004)[63], opined in his study that, the demand for home textiles is surging as more and more people opt for good life style trends at home. India is emerging as a major global sourcing destination for textiles in general and more particularly for home textile products. The quality of Indian home textile products has improved over the past few years because of up graded weaving and processing technology along with improved creative skills. With the dismantling of quota by January 1st 2005, the new mantra is Quality-Newness-Diversity in order to survive in the home textile market. Numerous products are made under home textiles with different fibre composition, textures, colours, finishes and designs suitable for different countries/needs/tastes.

Chittaranjan Satapathy (2004)[64], in his study of Anti Dumping Duties exposed that the Steel and Textiles are the two major sectors of Indian exports that faced maximum Anti Dumping action. US and EU are the major initiators of Anti Dumping action against Indian exports. In the case of textiles the producers of developed country have been able to ward off stiff competition from dumping countries in the past by way of quota regime under the MFA. With the quotas being removed in phases under WTO rules, it is reasonable to expect more trade remedy cases against textile products unless WTO rules are made more transparent and stringent.

Francis Cherunilam (2004)[65], in his study accentuated that, export development is important to the firm and to the economy as a whole. When the domestic market is small, foreign market provides opportunities to achieve economies of scale and growth. Export markets may help to mitigate the effects of domestic recession. Moreover a country may need to boost its exports to earn enough foreign exchange to finance its imports and service its foreign debts. The principal objectives of export promotion measures in India have been to compensate the exporters for the high domestic cost of production, provide necessary assistance to the new and infant exporters to develop the export business and increase the relative profitability.

George Joseph Alapatt (2004)[66], in his analytical study concluded that, the Indian cotton or yarns are competitive and are being exported the world over. But the main problem lies in the conversion or processing industry as the processing charges are high in India. According to international production cost comparison of 13 major yarn and fabric categories complied by the International Textile Manufactures Federation, the cost of overwhelming 10 input items is lower in China and Brazil . Today, exporters are unable to source international standard fabric at competitive prices from Indian mills, and this was forcing more exporters to look towards imports from China and other countries for their fabric requirements. In the post quota regime, there will be enormous down ward pressure on the pricing, as the suppliers from all over the world will compete to attract big buyers.

John K.C.and Kevin.S.(2004)[67], in their study declared that, under the Multi-Fibre Arrangement (MFA) India as well as other textile exporting developing countries have been entering into bilateral agreements with major textile importing countries regulating the access for textile and textile products in the importing countries. India has successfully concluded negotiations for bilateral agreement with U.S.A, EEC, Canada, Norway, Sweden, Finland and Australia.

Maya K (2004)[68] , studied the economies of technology and productivity of cotton Textile Industry. She analysed the variation of capital and labour productivities in relation to the different technologies employed in cotton Textile Industry in Kerala in particular and India in general. The study also made an economic analysis of the factors which determines the productivity in Textile Industry of India. The researcher selected the Parvathy Mills of Kollam, for the case study and studied the economies of scale by Cobb-Douglas Production Function. The study has asserted that, power loom technology is improper for sustainable growth, economy is affected by export of cotton yarn, technology adaptation is a problem in weaving sector and it is easier with indigenous technology.

Pushpa Trivedi (2004)[69], in her study divulged that, Textile Industry is a major export earner and accounted for slightly more than one-fifth of the India's export earnings. This industry accounted for about 11.1% of net value added by the manufacturing sector in 2000-01. The states which witnessed lower employment growth rate during the post reform period as compared with the pre-reform period were Andhra Pradesh, Bihar, Madhya Pradesh, Rajasthan, TamilNadu, UttarPradesh and West Bengal. In fact, Bihar and West Bengal recorded negative rates of employment growth during both pre and post reform period and the jobless accelerated during the post reform period. Gujarat, Karnataka and Maharashtra recorded higher employment growth rates during the post- reform period and these states had also witnessed acceleration in growth of output.

Radhakrishnaiah G and Thilagavathy G (2004)[70], in their study stressed that, in the last 10-12 years, governments of all political affiliations have realised the importance of allowing the Indian industry a free play, and accordingly introduced major changes in the policy frame work. The industry friendly policies embrace the government include a host of new measures to make the industry globally competitive and cost effective. They include removal of

industrial licences that artificially chocked manufacturing capacity, and opening of the textile apparel sector to large scale investment. Steady reduction of import duties on machinery and capital goods by the textile and apparel industry to allow factory modernisation. Provision of soft loans under the Technical Up Gradation Fund Scheme (TUFS), setting up textile and apparel parks to bring together textile mills, apparel producers and service providers with centralised infra structure such as effluent treatment and power.

Sabitha.D(2004)[71], in her study determined that, efforts are to be directed towards widening the export base for hand loom products. The export market for hand loom has witnessed a continuous rise and there is distinct shift from fabrics to made ups in recent years. As per Export Import Bank study, some of the factors that constraints hand loom exports are –lack of marketing infra structure, lack of branding, low access to large customers, constant mushrooming and exit of small exporters and non exploration of end user's needs etc. at the same time, Indian exporters face acute competition from other countries like China and Pakistan in marketing their products in major importing countries like USA, EU and Japan.

Shanthilakshmi J.S and Padmanabhan A.R (2004)[72], in their study underlined that, India is emerging as the major source for a wide range of home textile products all over the world. The culturally rich product range always has a human touch of originality and creativity. The traditional touches in designs are inspiring international buyers to a great extent. Hence India as a developing country is competitive enough to prove itself as a leading supplier of home textile products. It gives the feeling that India becoming one of the leaders in international markets for home textile products after China. The 11 Indian states which specialises as the major centres for home textile products are Orissa, Himachal Pradesh, Hariyana, UtterPradesh, Assam, Maharashtra, West Bengal, Andhra Pradesh, Karnataka, Kerala and Tamilnadu.

Somwanshi.S.A and Veena R. Humble (2004)[73], in their study highlighted that, current foreign trade policy provision is an inceptive to DTA (Domestic Tariff Area) units wanting to be EOUS (Export Oriented Units) will not have to make a fresh investment. A unit exporting two thirds of its production can be an EOU if it is a net foreign exchange earner. Now income tax benefits can be availed off 20 percentage of investment that had been previously made. Unexpectedly, government has decided to continue with Duty Entitlement Passbook (DEPB) scheme for textile export. It being a positive scheme – as many as 40 percentages of textiles exporters are benefit from it.

Soundarapandian (2004)[74], in his study of the Indian Cotton Textile Industry exposed that, supply of raw material is one of the major problems hindering the growth of the industry. As per the stipulations of the textile policy, composite mills and spinning mills should produce 50 percent hank yarn for the handloom industry. But these mills are not fulfilling this requirement. Hence competition for raw materials has increased particularly after the introduction of the power looms. The power loom sector is enjoying many advantages in the pretext of handloom industry in relation to consumption of yarn. Production of the reserved items of handloom industry by the power loom sector also worsened the competitive edge of handloom industry.

Arbind Gupta (2005)[75], in his study revealed that, exports of textiles and garments from India after the quota removal have moved up, the kind of improvement that has been realised is not very satisfactory keeping in mind the surge witness in Chinese exports, to the major markets like the United States and European Union. The recent retaliatory measures by the United and European Union to curb the sudden leap in Chinese clothing exports are expected to provide some edge to the India's export share to these two markets. The Indian future strategy should be aimed at not only consolidating and improving the existing markets but also enlarge the share in non-traditional markets like Africa, Latin America, East Europe and Australian continent.

Narendra Singh and Surinder S. Kunder (2005)[76] , in their study declared that Indian cottons have been extremely popular for the beautiful designs, attractive motifs and natural dyes. Block printing, tie and dye and batik are the ancient styles known for their attraction till date. The Cotton Textile Industry has the second highest spindleage in the world after China. It accounts for one fifth of industrial production. Apart from giving employment to over 50 million people, the Textile Industry contributes 38% to the export basket of India. The total cotton textile exports surged from about Rs 20 billion in 1990-91 to Rs 168 billion in 2002-3 and exports of made ups rose from 4.5 billion in 1991 to Rs 58 billion in 2002-3. Survival and growth of this industry after globalisation require achieving global competitiveness. The integration of MFA into WTO agreement has several ramifications for Indian textile trade and manufacturing. They concluded that the impact of the quota will result in the domination of China and India in world trade in textile and clothing. China, Korea, Taiwan, Vietnam, Thailand, Indonesia have emerged as key competitors.

Sanjay Kathuria (et al) (2005)[77], in their study set out the basic economies of the MFA applicable to the South Asian countries and examined the implications for domestic reforms. The evidence about the effects of India and other countries in South Asia suggests that the gains from domestic reforms to raise productivity in textile industries will greatly increase following the abolition of quotas. After the removal of quotas important parts of the world textile and clothing markets will be much more price responsive. Over all gains of about US$ 2 billion a year were found for India alone by increasing productivity by 67% in the clothing sector to bring it roughly into the line with China.

Patodia B.K (2006)[78], in his study noted that, textile and clothing industry constantly strives to increase trade flows all over the world. Globalisation and ongoing liberalisation have exposed the industry to intensified competition from a large number of low cost countries, for whom the sector is one of the most

important sources of income and employment. In the wake of global opening up of textile market, the competition among the textile producing countries is becoming formidable. Besides, developed countries have been raising trade barriers in one form or other and having imposed quota restrictions on certain countries. The major textile producing countries like India, China, Pakistan, Bangladesh and Sree Lanka, need to formulate a common strategy to avoid cutthroat competition and made up themselves to ensure a win –win situation in the long run. The industry remains competitive in spite of wage differences, higher productivity, and innovation, quality up gradation, creativity, designing, fashion and value addition.

Pradeep Joshi (2006)[79], examined in his study that the increasing share of Indian apparel and textile sector is very critical to the Indian economy. World trade in apparel and textile has been regulated under various trade arrangements. The Uruguay round negotiations has resulted in ten year phase out of quotas under ATC posing a great opportunity and challenge to Indian industry. WTO era may see rapid increase in demand from low cost supplying countries for basic items and niche and high quality apparel producing countries for fashion or high end apparel and textiles. Trends in WTO era (post 1st January, 2005) have indicated sharp gains for China forcing US, EU, to take steps to restrict imports from China. Besides it, India, Bangladesh, Sree Lanka and Pakistan have also benefited from phasing out of quotas.

World Economic Situation and Prospectus (2006)[80], in its study highlighted that, the Agreement on Textiles and Clothing (ATC) expiration marked the end of the discriminatory trade regime of over 40 years, which targeted and restricted textiles and clothing exports from developing countries. Those countries that had relied heavily on quota protection for market access of their textiles and clothing were expected to be seriously effected by the post ATC competition. More over it was expected that, preference receiving developing countries could be adversely affected by the termination of the ATC

because of their limited capabilities to adjust to the negative impact of preference erosion. There were concerns that the quota restrictions could be replaced by contingent protection measures such as anti dumping actions and special safeguard measures.

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CHAPTER III

TEXTILE AND CLOTHING TRADE IN THE GLOBALISED SCENARIO

TEXTILE AND CLOTHING TRADE IN THE GLOBALISED SCENARIO

In the previous chapter, a detailed review of literature was done. This chapter deals with textile and clothing Trade in the Globalised scenario.

Introduction

Economic maturity is a multi dimensional process linking the reorganisation and re-orientation of intact economic and social systems. Though it is a multifaceted progression, influenced by both economic and non-economic factors, yet dissimilar economic factors, like capital stock, labour skill, technology, capital out put ratio, agricultural surpluses, foreign trade etc. largely resolve the velocity and prototype of development sequence of countries. Overseas trade of goods, services and assets has been termed as vibrant factor for economic improvement and one of the most powerful linkages among the diverse economies of world.

International Trade

Trade is as aged as human society itself since, no society, could ever be self-sufficient. In the antique period, trade was in the form of swap, but afterwards, trade changed not only from barter to money but from inter regional to global. If there is something, which lingered on continuously and keeps growing through wars and uncertainties, is Trade. International trade, more than even before, is the lashing force of economic activity. Economic theorists recognize that the vital progression of economic growth depends upon accumulation of material resources as also on foreign trade. Trade has been regarded as one of the most imperative vehicles of international economic relations, regardless of marginal and insubstantial deviations. The international

trade position affects the economic well being of most countries, principally the smaller ones.[1]

Foreign trade is accommodating to both the developed as well as the developing countries. For the developed, it provides production inputs through cheap imports, wider market, increased investment opportunities and international good will; for the developing countries, it fulfils the requirements for development, maintenance of crucial supplies, inflation control etc. Since different countries of the world are differently endowed, they can help each other through trade to accomplish the common goal of socio- economic development.

International trade no doubt plays a crucial, but not necessarily benign, role in the historical development of Third World Countries. The mutuality of trade benefits is weak in the case of less developed countries due to their inability to find easy markets in industrialised countries, due to weak bargaining power, protectionism and intensification of tariff and non-tariff barriers imposed by developed countries. However, imports from developed countries to European Community, Japan, USA and other developed countries are subject to low non-tariff barriers as compared to imports from developing countries.

The developing countries mainly export primary products, which are experiencing instable markets. Most often they are facing corrosion in terms of trade due to dwindle in prices of their exports, rapid increase in prices of imported petroleum products and of manufactured imports from developed nations. The tribulations on export front, like export stagnation, instability in export earnings, deterioration in terms of trade combined with rapidly rising imports created further problems of Balance of Payments deficits and mounting external debt for less developed countries. It has been well acknowledged that development cannot be imported from abroad but has to be propelled by own efforts.

Contemporary experience of less developed countries in the realm of trade policy has shifted a considerable body of influential opinion away from an inward looking strategy towards outward–looking strategy. Inward–looking strategy relies on the home market for manufactured products to the point of abandoning efforts towards an early conquest of foreign markets. This policy promotes reliance on domestic market, permits a high degree of government intervention whether in Soviet or Latin American fashion. Open door policy calls for direct transition from simple open trade policy to vigorous promotion of manufactured exports by all internationally tolerated means with out going through an in-between phase of high protection. An outward looking strategy compels modernisation, which is best exemplified in Japanese case.

World Bank examined the link between various trade strategies and economic performance for 41 countries over the period from 1963 to 1985. The study revealed that outward orientation economies achieved 7.7 per cent per annum growth rate of GDP, while strongly inward–looking economies maintained 2.5 per cent GDP growth. Similar observations is made in other crucial indicators of development like speedy industrialisation, trends in per capita income, gross saving rate, incremental capital out put ratio, development of manufactures price stability, and growth of manufacturing exports.[2]

The successes of external trade depend on the adoption of bold yet realistic policy to strengthen exports and this will infiltrate in exchange earnings of developed countries. It is strange but true that even small countries like South Korea, Mexico, Taiwan, Israel, Singapore, and Hong Kong, despite lack or resource base, have experienced rapid growth and have become industrial forces to reckon with in the international market The economic re emergence of India and China is changing the global balance. Nation states are gauged by their trade potential, natural resources, industrial and intellectual might .World leader's today talk about increasing trade possibilities and co- operation than about disputed territories and arms purchase.

In addition to promoting economic growth, export promotion strategy entails various benefits to countries in the form of greater utilisation of plant capacity, specialisation in commodities of comparative advantage, increase in efficiency, economies of scale, widening of markets, incentives of technological improvements, training of higher quality labour and internally competitive management. Exports increase social marginal productivities and hence increase employment. It is a home truth that, expansion of exports may well be described as an integral part of the development process, neglect of which can only be at the peril of development.

The rapport between trade and economic growth is two fold in nature. Trade acts as a boon as well as a bane to economic growth. Trade provides static and dynamic gains to a nation. Static gains include higher incomes through comparative advantage and a vent for surplus, while the dynamic gains result from stimulus to increase in productivity.

The comparative cost theory of David Ricardo highlighted that if a country specializes in the production of those commodities in which it has comparative advantage and imports the commodity in which it has a comparative disadvantage, this will lead to higher income, consumption, investment and further higher output. As per this theory, trade will lead to efficient reallocation of domestic resources and international resources. Thus, world countries will gain by trading with other nations because gains from trade for one country are not losses for another. Trade is not zero–sum game, but is positive sum game in which all participants may gain.

John Mill and Hla Myint argued that trade increases employment in terms of vent for surplus. The opening up of trade encouraged the exploitation of unexploited resources, which widens the market, and availability of imported consumer goods provides incentives to work more and unemployed factors can be profitably put to work. There has been heavy use of labour in export-oriented

industries. In less developed countries 80 per cent of their manufactured exports were more labour intensive than the factor proportions in world export as a whole. Trade also contributes to development by increasing saving and capital accumulation.[3]

Samuelson opined that trade will help in the reduction of inequalities in income in terms of factor proportions equalization theorem, which states that free international trade is a perfect substitute for complete international mobility of factors and trade equalizes product as well as factor prices. Trade increases the income of the most abundant factor and reduces the income of scarce factor leading to equality of income of factors. [4]

The most important of all dynamic gains from external trade is import of ideas embodied in technical and managerial expertise or educative effect of trade. Importation of ideas is potent stimulus to economic, political and socio-cultural development. By providing the opportunity to learn from the achievements and failures of more advanced countries and by facilitating selective borrowing and adaptation, foreign trade can help considerably in speeding up a poor country's development. Trade helps in the development of citizen qualities like competitiveness, efficiency, obsession for excellence, incentives, acquisition of various types of industrial skills and organisational and managerial abilities. Trade generates various types of backward and forward linkages. In case of export promotion strategy, total linkages are maximum. Fast growing export sector will provide stimulus for local investment, employment, income, and purchase of local raw materials. Further, labourers will use their increased income to purchase domestically produced consumer goods, thereby providing further encouragement to production.

Export industries encourage activities in non-export industries in the form of increased factor supplies, productivity, production, income, Investment, and hence rate of growth in these industries. Thus, trade not only promotes growth,

but it also brings structural transformation in the economy. Though some countries have developed through foreign trade, other countries have remained poor even with expansion in trade. The advocates of trade argued that a host of factors impedes economic growth in less developed countries. Trade has resulted in lower multiplier dynamic effects, inequalities in benefits, poor terms of trade, and worsening trade relation ship between less developed countries and developing countries. Further, gains of territorial division of labour are often static in nature and due to absorption of cheap labour by export sector alone there would be more benefits to foreigners, increase in imports, and increase in domestic demand due to population explosion and constant technology of production. Consequently, less developed countries are unable to exploit their comparative advantage due to imperfections of market mechanism with in their economies. The most damaging effect of trade is in terms of transfer of income from poor to rich countries through secular deterioration in commodity terms of trade.

Another related problem that underdeveloped countries face in trade is export instability. These countries face instable export prices due to concentration on narrow range of exports of primary products and stable import prices due to imports of broad range of manufactured consumer and investment goods. Developing countries have little monopoly power in exports and little monopsony power in imports, therefore, they cannot influence terms of trade unilaterally through commercial policy. But the protectionist policy of both tariff and non-tariff barriers and the concomitant effect of reducing market access along with less competitive edge of developing countries makes the trade scene more vulnerable. This instability in exports has an adverse effect on investment and growth.

The gains of export strategy are not automatic. It may be carefully planned and executed, because the market channel is unduly long and erratic. Hence, policy makers have to pursue appropriate policy measures in tune with

development strategies of theirs and ours. Nurkse observed that, even unbalanced and unsteady growth through foreign trade was surely much better than no growth at all. Thus, third world countries, both in the pre WTO and post WTO regime benefit disproportionately less from their economic dealings with developed countries and may have in fact suffered absolutely from the association. Even after twelve years of inception of WTO, which was designed to foster rule based multilateral free and fair trade, the fate of less developed countries has not improved much.

Profile of Textile and Clothing Industry

There were abundant evidences to show that the handloom industry was in subsistence for 5,000 years. Handlooms have existed in developed and developing countries. Indian handloom weaving had a magnificent past. Even the people of Egypt have imported clothes from India to cover their Mummies. Textile and clothing Industry played a decisive role in the economic development of most of the world countries. The Industry is inimitable as majority of the sub processes involved in Textile and Cloth manufacturing can be undertaken at various levels of technology and labour intensity. The countries like US and England did benefit immeasurably with an early development and resultant socio economic impact of this industry. Later, developing countries also entered in this field to exploit the economic mileage.

Textile Industry is the mother of all industries and entangled with the human venture for a better life on the globe. Historically, the Textile and clothing Industries have played a prominent role in the process of economic development. In the 18th century, Textile and clothing industries led the industrial revolution in the Europe, and more recently were crucial to the success of export-led growth in the dynamic newly industrialising economies of East Asia. According to Dicken, "The Textiles and Clothing Industries were the first manufacturing industries to take on a global dimension and are the most widely

dispersed industries across the developed and the developing world". "Indeed the global shifts in the Textiles and Clothing industries exemplify many of the intractable issues facing today's world economy, particularly the trade tensions between the developed and the developing economies. These changes continue to cause intense political friction." [5]

Textiles represent one of the necessities of humanity and most inherent desire of looking good since the most ancient civilizations. In the 1800s, the Textile Industry in England flourished and the country became a major industrial and economic power worldwide. Likewise, in the late 1800's and early 1900s, the Textile and Apparel Industry, fuelled by the Industrial Revolution, put the United States in a unique place in the developed world. After the World War II, Japan used its textile, apparel industry to re-erect its economy, and became one of the largest exporters of textile products in the world Hong Kong and Taiwan followed suit and used low cost labour to their advantage as they began to dominate imports into the western hemisphere.[6]

The Textile and Clothing Industries are both national and global in nature. Globalisation as a phenomenon is itself a consequence of competitive pressures that have led Textile and Clothing producers towards an endless search for ways to lower production costs, through efficiency measures. The search for lower cost sources of supply shifts production to off shore locations through out the globe, where conditions are more favourable than in the home market. Often these global shifts have devastating impacts upon domestic markets, where production jobs are lost, investment declines and the trade balance worsens. Globalisation is identified through economic shifts and cultural and social changes that have been hastened by rapid communication and transportation infrastructures. The occurrence of Globalisation, conditions that give rise to it, its strategies and consequences are probably more evident in the Textile and Clothing industries than in many other sectors.

It is a well-documented fact that Textile Industry has been the driving force for all developed countries. Examples are China, Korea, Vietnam, India, Pakistan, Bangladesh, Sri Lanka, Poland, Turkey, Mexico, El Salvador, Guatemala, Honduras, Costa Rica, Brazil, and the Dominican Republic. Haiti and Africa have targeted the Textile and Clothing Industry as a means to provide jobs, raise their standard of living and create economic wealth. Each is at a different stage of development but all view the industry as a critical part of their social and economic wealth. Recently, Textile Industry played a major role in the industrial development of China. The Textile Industry is the most global industry in the world, with over 125 countries competing in the world textile market.[7]

World trade of textile and clothing for the year 2003 was US$394.90 billion. China was the largest exporter of textiles and clothing in the world market and India's position was seventh with an export of US$ 12.51 billion. (3.17%). In 2005, World trade of textile and clothing reached US$479.89 billion. China's export of textiles and clothing reached a new peak of US$115.51 billion, which accounted for 24.07 percent of global trade. India's share was a miniscule 3.37 percent amounting to US$16.14 billion.[8]

In the spinning sector China ranks first with a total spindles of (cotton and wool) 378.52 million, where as India ranks second with 75.76 million spindles. In the case of rotors, Russia ranks first with 8.43 million rotors and India occupies the fifth place by installing 0.48 million rotors.

In the weaving sector, China installed 0.78 million shuttle less looms and stands first. However, the position of India in this respect is only sixth with an established capacity of 0.03 million shuttle less looms. With respect to shuttle looms and handlooms, India's position is first with a set up capacity of 1.92 million and 3.90 million respectively.

China ranks first in the production of raw cotton, cellulosic fiber/yarn, synthetic fiber/ yarn and silk. India ranks first in the production of Jute and Australia first in the production of wool.[9]

Textile and Clothing Trade in the Pre Quota Regime

Trade in textiles and apparels among developing and highly developed countries are subject to various restrictions from 1930s onwards. The developing countries that have enjoyed the comparative advantage rapidly increased the volume of exports of cotton textiles and apparel to the developed countries leading to the closure of mills and chronic unemployment in such countries. To improve this 'Voluntary Export Restraint' agreement was negotiated between countries. European countries including Britain and France imposed restraints on Japanese exports during the World War II. The US imposed restrictions on textiles and apparel in 1935 through voluntary export restrictions to control shipments of cotton textiles from Japan. In the late 1940's major textile and clothing, industrial production has drifted out from developed countries and moved to Japan. Since then, Japan was the leader in Industrialization and economic development in the Asian region.

The GATT negotiations started in 1947 achieved tremendous success in curtailing tariff barriers. In early 1960s, the industrialized developed countries sought to raise non-tariff barriers by way of quota restrictions and through Multi Fiber Arrangement, which allowed participants to employ special restraint mechanisms against injurious imports of specified goods from specified countries in certain defined circumstances, subject to their pursuing appropriate policies to encourage adjustment within their industries.

In 1970s, the high cost of production coupled with labour shortages had compelled Japanese textile and clothing firms to invest their production in other Asian nations. Subsequently, Hong Kong, South Korea and Taiwan became three of the four Newly Asian Industrialising Countries (NIC's), with textile and

clothing as the foremost export industry. NIC's cheap labour cost was the main magnetism for the US and Japanese textile and clothing firms to locate their production overseas. Thus, the NICs presented good quality textile and clothing products at a fairly lower price. In 1974, the MFA came into force whereby the developed countries protected their markets through management of quotas in a series of bilateral agreements.

Trade Restrictions on Textiles and Clothing under GATT

General Agreement on Tariffs and Trade (GATT) was a multilateral treaty between governments. It lays down rules for international trade. Its basic objective was to liberalise world trade. The most fundamental principle of GATT was non-discrimination between the contracting parties. GATT contains rules relating to tariffs, quantitative restrictions, trade measures for balance of payment purposes, export subsidies, anti dumping and countervailing duties, customs valuation, state trading etc. Special provisions have been made for a few developing countries. GATT also provided a forum for dispute settlement among member countries and it was an international agreement to reduce trade barriers among member countries. GATT was really a code of conduct to which its members, called contracting parties subscribed. It deals with a wide range of commercial policies. The GATT rules specify that a party granting a trade advantage to one country must grant the same advantage to all the contracting parties. The rules limited the use of import quotas and other restrictions on the flow of goods among member countries. It granted special privileges to developing nations with out requiring these nations to observe all its rules.

During 1950's the Textile Industry in Western Europe and USA accorded protection to home industries by way of high tariff barriers to restrict imports from developing countries. Post war balance of payment difficulties of developed countries were cited to justify high tariffs, complicated customs administrations, complex import licensing procedures and a wide range of

quantitative restrictions. During the same period, trade restrictions were reduced in the wake of general liberalization efforts pursued in the GATT and the IMF.

The first voluntary export restraints for cotton textile products were agreed by Japan, Hong Kong, India and Pakistan in 1950. In the late 1950's the members of EEC entered into an agreement known as Noordwijk Agreement and the UK entered into a bilateral agreement known as the Lancashire Pact. In 1955-, Japan introduced 'Voluntary' Export Restraint on cotton textiles to the USA that continued until 1956.UK introduced 'Voluntary' restrictions on import of cotton textiles from Hong Kong, India, and Pakistan during the period 1959-60.[10]

The strong argument for protection by the European and US textile industries culminated in convening a meeting of the cotton textile importing and exporting countries under the auspices of GATT in 1961. The Short Term Arrangement on cotton textiles was negotiated in July 1961. In 1962, the Long Term Arrangement regarding International Trade on Cotton Textiles imposes a five percent growth limit on imports of cotton products. The US textiles and clothing industry made its support for the 1962 Trade Act conditional on interim restrictions to deal with 'Market disruption' caused by surges of imports from low cost countries.

The LTA extended the term in 1967 and again in 1970 up to 1973. In 1973, 16 major importing countries reached a comprehensive product as well as country arrangement called Multi Fibre Arrangement. The MFA limits the growth of textiles and clothing imports to six percent per annum during 1974. The Textiles Surveillance Body supervises the implementation of the MFA under the patronage of the GATT Textiles Committee, which is composed of the parties to the arrangement.

These transitional arrangements focused on the access to restricted markets, to maintain orderly access and to secure restraint in exporting countries

to avoid disruption. The LTA has prohibited participating countries from introducing new import restrictions or intensifying existing restrictions on cotton textiles, which would be in consistent with the obligations under the GATT.

Textile and Clothing Trade in the Quota Regime (1974 -1994)

Multi Fibre Arrangement was established under GATT in 1974 as a means of countering unfair trade practices. The aim was to restrict import from low labour cost countries by negotiating bilateral quotas. It is an umbrella agreement signed by most developed countries and 30 developing countries. During 1974 to 1994, four successive MFAs were concluded.

The Multi Fibre Arrangement in 1974 allows eight industrialised country markets namely Australia, Canada, The European Union, Japan, Norway, Sweden, Switzerland, and the United States to restrict imports and to restrain the exports of developing countries. The movement from the LTA to the MFA-I during 1974-'76 improved conditions for developing countries by providing higher export growth. Nevertheless, the coverage of textile fibres in the new arrangement expanded from cotton to include wool, man made fibers and rayon as well as silk. In 1977, an extension was agreed for a 5-year period - from1977 to -82(MFA II), including a provision for 'Jointly agreed reasonable departures' from MFA rules under special circumstances. MFAIII was negotiated in 1982, by extending the arrangement for five more years and dropped the 'reasonable departure' clause. Developing countries covered by the MFA established an International Textiles and Clothing Bureau in 1985 to promote the elimination of the arrangement and the return of trade in textiles and clothing to the GATT. The MFA was again extended in 1985 and 1991, until 1994.[11]

Objectives of MFA

- To give time to restructure and diversify the textile and clothing Industry in the developed world.
- To guarantee a share of the developed markets to developing countries.

MFA quotas earmarked with an upper limit beyond which imports are not allowed. The upper limit was broken down for each product category, which was decided by the importing country. The limits were calculated by volume rather than value in general by number of pieces in the case of apparel, by weight in the case of yarns and by meteres in the case of fabrics. The bilateral agreements covered one or more years, or the entire duration of the MFA. The period of the bilateral agreement was divided into separate quota years for calculating quota levels and growth rates. Quotas were administered by the exporting country, which issued export licenses. A system of surveillance operated in the importing countries and goods not accompanied by export licenses were refused entry. Quotas were not imposed on all textile and clothing products and all exporting countries. Either there was a number of products not subject to quotas or had large unfilled quotas. The coverage and scope of quotas also varied under each of these scores of bilateral negotiations under MFA by USA.

The main features of the bilateral agreements under MFA

- Integration of Textile and Apparel products into the GATT/WTO rules and discipline there by seeking to achieve non-discrimination and equal treatment for all the member states.
- Procedures to address problems arise from circumvention like indirect shipping, re-routing and false declaration concerning countries and place of origin.
- Transition period for the phase out of MFA
- Improved market access than what was available under MFA regime
- Establishment of Textile Monitoring Body (TMB) to supervise implementation of agreement and to deal with disputes until the existence of agreement on Textile and Apparel.

Under the MFA, the EU has Bi- lateral accords with the major exporters of textiles and clothing. The latter include Argentina, Bangladesh, Brazil, China, Columbia, Guatemala, Hong Kong, India, Indonesia, Republic of Korea, Macau, Malaysia, Mexico, Pakistan, Peru, the Philippians, Singapore, Sri Lanka, Thailand and Uruguay. The autonomous regime with Taiwan province (China) has been extended and an agreement has, for the first time, been concluded with Vietnam. Agreements have also been signed with the Czech Federal Republic. Similar conditions have been negotiated to Bulgaria and Romania. In 1993, negotiations were going on with the individual countries comprising the common wealth of independent states.

Under MFA, India as well as other textile exporting countries has been entering into bilateral agreements with major textile importing countries, regulating the access for textiles and textile products in the importing countries. Since the adoption of the protocol, India has successfully concluded negotiations for bilateral agreements with USA, EEC, Canada, Norway, Sweden, Finland, and Austria and these agreements provide generally improved access for Indian textile exports to these markets.

The MFA has effects on both the importing and exporting countries. MFA has harmed consumers in importing countries by forcing them to pay more for their cotton and textile products, and harmed exporting countries by reducing their potential export revenues and employment opportunities, while leading to a less than optimal allocation of resources in both importing and exporting countries.

The MFA itself is a framework in which the developing countries agree to limit their exports to industrialized country markets. MFA was following the "Cotton Arrangement" through the provision of rules for imposition of restraints when sudden increase in imports was about to cause market disruption or threat of importing countries. The member countries like Austria, Canada, EEC,

Finland, Norway and United States applied restraints under the MFA, but Switzerland and Japan, both members of the arrangement never applied these restraints. When the MFA ended on 31-12-1994, it had 44 members who were the significant producers/traders in the international trade in textiles and apparel. China was not a contracting party of GATT, but a member of the MFA.

International trade flows in clothing and textiles have undergone fundamental structural changes from 1960 onwards, which reflects the shifting comparative advantages of different countries and regions in the manufacture of these commodities. The steady decline of the shares of yarns and fabrics in the world exports of textiles and the rapid growth of the share of clothing are recorded during the period 1965 and 1985. The share of the developed market economies in the world exports of textiles and clothing fell from 82 per cent in 1965 to 55.8 percent in 1985, while the developing economies more than doubled their share from 16.5 to 42.1 per cent over this period.[12]

In 1986, the developed countries accounted for 65 per cent of the world textile exports; their share of clothing exports was 45 per cent while it was 70 per cent in 1970. These trends essentially indicate important shifts in the international division of labour and changing comparative advantage in the production of different textile products. One of the key elements in this shift has been the rising cost of labour in the developed market economies, which have been faced with low wage cost competition from the developing economies.[13]

Global textiles trade, after registering the highest compound annual growth rate (CAGR) of 15 per cent during 1985-'90 has grown at the rate of 8 per cent per annum during 1990-'95.[14]

Textile and Clothing Trade in the ATC Regime (1995-2004)

The quota system was directed to protect the market of the industrialised countries to allow them to restructure and adapt to competition from cheaper imports from developing countries. During the Uruguay round of trade

negotiations in 1994, it was agreed that MFA would be phased out through the implementation of the Agreement on Textiles and Clothing (ATC). On 1 January 2005, the market was opened up fully through complete integration process of ATC paving the way to unrestricted global trade in Textiles and Clothing. The principal objective of ATC was to integrate the textile sector into the WTO, the successor to GATT. The MFA, which established quotas of different categories in apparel and textile imports to the USA, EU, Canada, and Norway, was fully phased out. It was the single most important development in the Global textile trade in the post World War period. As the global textiles have entered in the WTO regime without any quantitative restrictions, everybody connected with it is bound to experience the seismic effects of unrestricted export growth after a prolonged period of protection that commenced in the early sixties.

Agreement on Textiles and Clothing

The Uruguay round negotiations were concluded in December 1993 and under the agreement on textiles and apparel the developing country industry is to be integrated into the GATT 1994 over a transition period of ten years. As per the "The Agreement on Textiles and Clothing" each member country would on the commencement of the agreement (1st January,1995) have to integrate in to the GATT products from the specific list annexed to the Agreement which in 1990, accounted for not less than 16 per cent of the total volume of imports. At the beginning of phase II, on 1st January 1998, products which accounted for not less than 17 per cent of 1990 imports, would be integrated. On 1st January 2002, products, which accounted for a further 18 per cent of 1990 imports, would be integrated. All remaining products would be integrated at the end of the transition period on 1st January 2005. In each of the first three stages, products are chosen from each of the four groups of Tops and yarns, Fabrics, Made ups and Apparel.[15]

Table No. 3.1
Product Integration Schedule during MFA Phase out
(In Percentage)

Product Integration Schedule					Total
Category	Phase I 1.1.1995	Phase II 1.1.1998	Phase III 1.1.2002	Phase IV 1.1.2005	
Yarn	8.46	8.00	3.26	2.64	22.36
Fabric	3.44	2.51	3.91	12.19	22.05
Made-up	2.39	4.54	8.40	2.55	17.88
Apparel	1.92	1.98	2.54	31.26	37.71
Total	16.21	17.03	18.11	48.65	100.00

Source: Pradeep Joshi, Apparel, March 16-31, 2005, Volume XI, No 24.

Article VI of the agreement contains a specific transitional safe guard mechanism, which can be applied to products not yet integrated into the GATT. Action under this article can be taken against an individual exporting country, if it is demonstrated by the importing country that overall imports of products were to enter that country in such increased quantities so as to cause serious damage or actual threat thereof to the domestic industry producing like and/or directly competitive products. Action under the safe guard mechanism can be taken either by mutual agreement, following consultations or unilaterally but subject to review by the Textiles Monitoring Body (TMB). The agreement provides for setting up a "Textiles Monitoring Body" (TMB), to supervise the implementation of the agreement and to examine all measures taken under this provision and their conformity therewith. The agreement also has provisions for special treatment to certain categories of countries such as those who have not been MFA members since 1986, new entrants, small suppliers, and least developed countries.

The basic aim of the Agreement on Textiles and Clothing, which carried over the quotas from MFA, is to integrate the trade in Textile and Clothing into GATT rules and disciplines by requiring countries maintaining restrictions to eliminate them over a period of ten years.

Since the GATT negotiations, which started in 1947, achieved a token of success in removing tariff barriers in early 60s, the Industrialized developed countries sought to raise non-tariff barriers by way of quotas restrictions. MFA allowed participants to employ special restraint mechanisms against injurious imports of specified goods from specified countries in certain defined circumstances.

Impacts of Phase out of Quotas

According to the GATT secretariat, the likely effects of the conclusion of the Uruguay Round will be some US $ 500 billion higher by 2025 based on 2002 trade figures of US $ 357 billion. The additional potential growth for this sector could be as high as US $ 100 billion. Implementation of ATC would lead to an increase in world trade with apparel being the primary category. Developed countries in order to protect the interests of their local industry would be going in for bilateral agreements with their neighbouring countries. Intra-regional sourcing by developed countries would dominate and they would increasingly use the tool of Labour and Environmental Standards to retain their competitiveness in world trade. Regional trade as against the traditional trading patterns is showing a major increase. The reasons that have lead to the tremendous increase in regional trade incurred comparatively lower labour costs prevalent in neighbouring countries of EU and US, a market for all intermediate textile products that EU and US make and better control and quick response possibilities.[16]

The world trade in Textiles and Clothing amounted to US $ 385 billion in 2003 out of which textiles comprised of U.S $ 166 billion (43 percent) and the

balance US $219 billion (57 percent) for clothing. Developed countries occupied one third of the world exports in textiles and it accounted US $ 79 billion for textiles and 61 billion for clothing. The ATC transition period highlighted a hike in Global textile exports and showed a stagnant trend in the Global exports of clothing. The principal exporters of textiles during 2003 are the EU, China, US, Republic of Korea, India, and Japan. While the principal exporters of clothing are EU, China, Turkey, Mexico, India, US, Bangladesh and Indonesia.[17]

Table No.3.2

***Leading Exporters of Textiles* 2003**

Sr.No	Exporters	Value 2003 US bn	Share in World Exports			
			1980	1990	2000	2003
1	European Union	58.94	49.4	48.7	34.3	34.8
2	China	26.90	4.6	6.9	10.5	15.9
3	United States	10.92	6.8	4.8	7.1	6.4
4	Republic of Korea	10.12	4.0	5.8	8.2	6.0
5	Taipei, Chinese	9.32	3.2	5.9	7.7	5.5
6	India	6.51	2.4	2.1	3.9	3.8
7	Japan	6.43	9.3	5.6	4.5	3.8
8	Pakistan	5.81	1.6	2.6	2.9	3.4
9	Turkey	5.24	0.6	1.4	2.4	3.1
10	Indonesia	2.92	0.1	1.2	2.3	1.7

Source: Nayak P, 'Post MFA/ATC Market Trends: A case of Indian clothing exports to EU' 3Ts, Jan- June 2005, Textile Committee.

Table No.3.3

Leading Exporters of Clothing 2003

Sr.No	Exporters	Value 2003 US $ bn	Share in World Exports			
			1980	1990	2000	2003
1	European Union	59.95	42.0	37.7	24.1	26.5
2	China	52.06	4.0	8.9	18.3	23.0
3	Turkey	9.94	0.3	3.1	3.3	4.4
4	Mexico	7.34	0.0	0.5	4.4	3.2
5	India	6.46	1.7	2.3	3.1	2.9
6	United States	5.54	3.1	2.4	4.4	2.5
7	Bangladesh	4.36	0.0	0.6	2.1	1.9
8	Indonesia	4.11	0.2	1.5	2.4	1.8
9	Romania	4.07	-	0.3	1.2	1.8
10	Thailand	3.62	0.7	2.6	1.9	1.6

Source: Nayak P, 'Post MFA/ATC Market Trends: A case of Indian clothing exports to EU' 3Ts, Jan- June 2005, Textile Committee.

The tables reveal that Western Europe has registered a decline in shares of both textile and clothing exports during the ATC transition period and the Asia's share of exports to the world in textiles has seen an increase rather than in clothing. The decline in the share of the developed countries was mainly attributed to the sharp decline in the share of EU in both Textiles and Clothing exports. The share of Asia in the world textile exports grew from 42 percent in 1995 to 44.3 percent during 2003, while its share in clothing exports remained stagnant around 44 percent. On the contrary, North American textile exports have risen from 5.7 percent in 1995 to 7.8 percent in 2003, but clothing exports

declined to 3.3 percent from the level of 4.8 percent. Developing countries share in textile exports has increased from 17.3 percent in 1980 to 41.9 percent in 2003, and in clothing, it has increased from 16.4 percent to almost 46.1 percent during the same period. China has significantly increased its share of textile exports from 4.6 percent in 1980 to 15.9 percent in 2003 and clothing from four percent to 23 percent in the same period.[18]

In 2003,China was the largest exporter of textiles and clothing in the world market and India's position was seventh with an export of US$ 12.51 billion (3.17%).[19] The world trade in Textiles and Clothing increased to $452.83 US billion in 2004 by registering a growth of 12 percent over the previous year, out of this the trade in textiles was 195 billion and trade in clothing was $258 billion. The figure reveals a high growth for textiles and clothing in 2004, where as textiles trade experienced an impressive growth of 13% followed by clothing at 11percent. The global trade in textiles and clothing is expected to increase from over US$ 450 billion in 2005 to around US$ 655 billion by 2010, implying a growth rate of more than 7.5 percent per annum.[20]

Table No.3.4

World Trade in Textile and Clothing

Year	Textiles		Clothing		Total	
	US$ (Bn)	% growth	US$ (Bn)	% growth	US$ (Bn)	% growth
2000	155	-	197	-	352	-
2001	147	-5.16	195	-1.02	342	-2.84
2002	154	4.76	203	4.10	357	4.38
2003	172	11.68	232	14.28	404	13.16
2004	195	13.37	258	11.20	453	12.12

Source: Patodia B.K. Global Trade, Clothiers of the globe to team up for mutual benefits, SIMA review, June 2006.Volume XI, No, 6.

The world trade, both in Textile and Clothing, for the years 2000 to 2002 showed a mixed trend and only a one digit growth. It registered a two-digit growth in 2003 and 2004.

The Agreement on Textiles and Clothing had a specific clause for Outward Processing Trade (OPT) arrangements. US enter into OPT arrangements with Mexico, its NAFTA partner, and with Caribbean Basin countries. EU, on the other hand, also entered into OPT arrangements with Turkey and East European countries, chiefly Czechoslovakia and Bulgaria. The increase in OPT is observed due to the proximity and ability to exercise supervision on manufacture.

The removal of quotas will mean changes in the location of the industry. The increase in competition at a global, national and local level is resulting in downward pressure on working conditions. With no quota restrictions, labour costs will be an even more significant factor. Since the sector predominates in low – value production in the region where labour cost advantage provides the competitive edge, the rolling back of the assured quota could lead to the race to the bottom by putting pressure on producers to reduce cost to stay competitive.[21]

Thus, although markets have been opened to new exporting countries, the opportunities for export expansion have been limited and biased towards established exporting countries, such as the Republic of Korea, Taiwan and Hong Kong. Since bilateral agreements are usually based on historical performance, large exporters have relatively large market shares and therefore it is difficult for new exporting countries with a low quota base to attain high market shares unless they have strong political bargaining power.

Textile and Clothing Trade in the Non Quota Regime (From 1-1-2005)

The current structure of world trade is in fact one of the legacies of colonisation and its dependents oriented trading relationship is in part an out growth of post 1945. The principles governing international trade were

articulated by the developed countries to suit the stakes of their own interest. The developing countries have played the role of sideline spectators who occasionally got a piece of the action, but only a 'small piece' both in the pre WTO and in post WTO regime. In the post- Quota regime, global trade in textile and clothing centered on the US and the 25 member European Union, the two principal markets for India.

The system of import quotas that dominated the textile trade since early 1960s has been completely phased out from January 1, 2005 and importing countries can no longer discriminate between exporters. This is not a sudden development, the exporting countries were given sufficient time to prepare for the elimination of quotas. World trade in Textile and Clothing in the penultimate and ultimate year, i.e., 2003- 04 of quota regime has witnessed an impressive growth, which by no means is far greater than the growths registered in preceding years. In fact, Textile and Clothing trade in these two years grew faster than the overall growth in global merchandise and manufactured exports.

Textile and Clothing industry persistently struggle to increase trade flows all over the world. With the winding up of WTOs Agreement on Textile and Clothing and opening up of global market, the textile trade started facing fierce competition. The competition among the textile producing countries is becoming alarming, and developed countries have been raising trade barriers in one form or the other and have imposed quota restrictions on certain countries.

In the run up to the expiry of the agreement on Textile and Clothing at the end of 2004, a glut of studies and analysis, including those by reputable organizations like the World Bank, IMF, WTO etc, came out with varying assessment of the likely impact of the abolition of the long-standing quota regime on world trading pattern. Certain Textile and Clothing exporting countries were shown to be particularly vulnerable to the forces of competition and consequently, likely to suffer major losses in economic welfare.

The forecasted implications of phase out of quotas are as follows

- There would be a shift in sourcing pattern due to consolidation in production base. Some of the countries, which are mainly converters, such as Bangladesh and Sri Lanka would suffer declining market share.
- Proximity to markets would influence sourcing even in a free trading environment. Mexico, East Europe, and North America would remain important suppliers.
- China, India and to some extent Pakistan would be major suppliers.
- Prices will fall steeply because of abolition of quotas.

Contrary to perceptions and predictions, the following trends can be discerned.

- Countries like Bangladesh and Sri Lanka have not suffered
- Countries whose part of Regional Trade Agreement (RTAs),/ Preferential Trade Agreements (PTAs) have gained in some cases but lost in others.
- China has been the largest beneficiary and India has gained marginal increase in market share.
- Unit prices after initial decline have stabilized.
- EU and USA, the two biggest importers, continue to adopt protectionist postures.[22]

Predictions about some of the catastrophic results have however proven ill founded. One year of open market operation has also confirmed how the US/ EU trade policy continues to be the major underlying factor afflicting the export prospects of several developing countries. Therefore, the imperative need of addressing these issues urgently, at the multi lateral level, especially those concerning restrictive origin rule, unwarranted remedy measures and high tariffs need no further emphasis.[23]

Analysis of Post- Quota Scenario

All WTO members have unrestricted access to the American and European markets for their textile exports from January 1, 2005.The abolition of quotas is likely to prompt tremendous growth in this industry while causing short term political and economic challenges to established European businesses faced with low cost rival imports from China and other 'Tiger Economies'.

The global competitive landscape is undergoing a major shift in business patterns in the post –quota era, heavily affecting the global structure and distribution of the Textile and Clothing industries. A new business era started, for which Textile and Clothing companies must prepare themselves with a strategic effort. They should adapt, improve and redesign their business models to sustain growth, defend and improve market position and enhance profitability.

The US market has recorded a healthy increase of 8.5 percent in dollars and volume terms in the post ATC period January- September 2005, when compared with the same period in 2004. This increase in value of 8.5 percent can be compared favourably with the average annual increase of 7.6 percent seen over the period 1994 to 2004. This increase of imports is not unusual because during five of the last 10 years of quota regime, the US imports increased by 10 percent or more.[24] In 2006, import from China to the US increased by 15 percent and accounted for nearly 30 percent of total US imports of Textile and Clothing. The rise in imports from Indonesia, Vietnam, Bangladesh and Cambodia exceeded that from China. Imports from India rose by 12 percent which was less than the rate recorded by China.[25]

In the case of EU 25, total Textile and Clothing imports increased by 7.2 percent in dollar terms and 5.7 percent in terms of volume. This rate of increase of 7.2 percent in dollar terms and the increase in value of 8.5 percent is progressive when compared with the ten-year average of 6.1 percent in dollar terms and 7.6 percent in value terms of the post ATC period.[26]

The analysis of exports to EU and USA for the first year of quota removal shows that, China's exports to USA increased by 37 percent in textiles and 97 percent in clothing and the increase was 28 percent and 44 percent respectively to EU. India attained a growth of 18 percent in textiles and 32 percent in clothing to USA, but in the case of EU, the textiles shows a decrease by two percent and increase of 15 percent in clothing. Pakistan also obtained a gain in the USA market in both textiles and clothing by 10 percent and 12 percent, but in EU, there is only a slight increase of five percent in textiles and a decrease of five percent in clothing.[27]

China has the world's largest Textile and Clothing industry with the export volumes rising at a fast pace. It recorded a huge jump in its exports to both USA and EU, though there were safe guard actions against its products in many categories. It may also be celebrated that China has registered growth in the entire value chain, which are yarn, fabrics, made-ups and garments. With the consolidation of production in China, the countries like Hong Kong, Macao and Taiwan have registered significant reduction in their exports to both the US and EU markets. These two countries registered a decline of 34 percent in Textile and Clothing exports to the US and EU.[28]

India's gain was mainly from exports of finished products like apparel and home textiles. Pakistan has recorded a decline in exports to EU due to anti-dumping duty on bed linen, which remains its largest item of export to EU. Republic of Korea experienced declines in exports of textiles and clothing in EU and USA reflecting an on going adjustment process away from labour intensive manufacturing that has been taking place in its economy. Thus its textiles exports declined only by three percent where as, clothing declined by 37 to 57 percent.[29]

The countries that lost their market share in the post quota era are:

- Asian countries like Malaysia, Philippines and Nepal lost their market share. Nepal's exports to USA declined by 26 percent and to EU by seven percent.
- Sub Saharan African countries' exports that enjoyed duty-free access to USA and EU as a whole declined by more than 11 percent to USA.
- North Africa and East Europe countries like Morocco, Tunisia and Romania lost their market share to EU in spite of their duty free advantage and the advantage of lower transportation cost. Their exports to EU declined by seven percent, three percent and four percent respectively. Their exports to USA have been negligible.
- Central American Countries like Costa Rica, El Salvador, Guatemala, Honduras, and Dominican Republic suffered reduced exports. Exports of Mexico (despite NAFTA) to USA declined by more than six percent.
- Latin American Countries like Brazil, Colombia, Argentina, and Uruguay balanced their trade by off setting the loss in exports to EU by increasing exports to USA.[30]

In analysing the performance of various countries since the abolition of quotas, it is relevant to recall that a number of studies including the one by the WTOs Secretariat in August 2004 had forecast that, countries like Bangladesh, Cambodia, and some others would suffer steep declines in their export earnings and job losses. The countries situated close to the major markets were likely to be less affected by heightened competition. Therefore, Mexico, the Caribbean, Eastern Europe and North Africa were likely to remain important players and possibly maintain their market shares especially given the preferential access that they had to US/ EU markets.

EU Market for Finished Products

EU continues to be the market for intermediaries and finished products. Due to the closure and shifting of many manufacturing units especially in weaving, processing, garmenting out of EU, it was quite logical to believe that markets for yarns and fabrics world decline in EU. However, contrary to popular perceptions and unlike in the US, imports of grey and processed fabric into EU are in fact rising after the quota phase out. The growth is attributed largely to the expansion of EU's increased imports of raw materials are believed to be consumed by the East European countries joined EU in the year of 2004, as many of these new members still have large textile industry in their countries. As anticipated, home-furnishing sector is witnessing growth in imports in EU in the post quota phase, along with apparel. China has remained the largest supplier and is scoring over others in the entire value chain. India is losing its sheen in fabrics while China and Pakistan are gaining.[31]

Table No.3.5

Growth in Quantity of Imports in EU (January- September 2005/04)

Category	Overall Growth (%)	India (%)	China (%)	Pakistan (%)	Turkey (%)
Cotton Yarn	-6.19	24.00	42.00	30.00	3.00
Cotton Fabrics (Grey)	0.70	-17.00	86.00	17.00	6.00
Cotton Fabrics (Processed)	8.24	-5.00	148.00	21.00	2.00
Terry Towels	16.00	8.00	72.00	33.00	11.00
Bed Linen	17.00	1.50	189.00	2.26	32.00
Table/ Toilet/ Kitchen Linen	15.00	14.00	129.00	-10.00	-5.00

Source: Emerging Trends and Opportunities- Life after Quota, Modern Textiles, Volume 1, Issue 1, March-2006.

EU market continued to absorb more intermediates and finished products during the first 9 months of 2005 when compared to the same period of previous year. While the import of cotton yarn decreased by about 6%, import of processed cotton fabrics, terry towels, bed linen and table/toilet/kitchen increased in the range of eight to 17 percent. However, imports of grey cotton fabrics showed a marginal increase of 0.70 percent. [32]

Table No.3.6

Growth in Quantity of Imports in to the US (2005/04)

Description	World (%)	India (%)	China (%)	Pakistan (%)
Yarn (Cotton)	-9.87	9.39	20.01	0.77
Fabrics (Cotton /MMF)	-1.65	3.70	74.00	-17.086
Made-ups (Cotton/MMF)	16.97	4.73	37.84	35.61
Apparel (Cotton/MMF)	14.02	41.80	146.34	15.81

Source: Emerging Trends and Opportunities- Life after Quota, Modern Textiles, Volume 1, Issue 1, March-2006.

Imports of Textile and Clothing into the US are rising with the removal of quota restriction. However, unlike EU, growth is driven by the rise in imports of finished articles like home textiles and apparel. Imports of raw materials like yarns and fabrics have so far shown a decline. China's imports to US also showed an increase in home textiles and apparels. India gained a moderate increase in all the sectors. Pakistan was strong in the home textiles and apparel sectors.[33]

Major findings in terms of emerging trends can be summarised as follows:

- EU and US are growing at a higher rate in the post- quota period compared to the growth during the quota period, i.e., 1994-2004.
- China and India have emerged as major suppliers in Textile and Clothing in the Post quota period.
- Small supplying countries like Bangladesh, Sri Lanka and Cambodia have *shown an increase in their exports.*
- Countries that are a part of PTAs and RTAs are losing market shares. All preferences receiving countries following 'Yarn forward' rule are losing market shares as their conversion costs are increasing due to higher raw material costs. Thus, industry structure lacks the necessary flexibility to succeed in an open market.
- Countries sourcing raw material on a competitive basis are gaining market share irrespective of tariff preferences or proximity to the market place. [34]

In the list of leading exporters of textiles in 2005, the EU topped the list with \$68 billion, followed by China with \$41 billion, India figured seventh with \$7.85 billion (3.9% of the total value of world exports in the same category) and Pakistan was the eighth with \$7.09 billion. In the importers list in the same category EU came first in the list with \$65.83billion followed by US with \$22.5 billion and then China with \$15.5 billion. India finished 14th with \$2.1 billion (1% of the total world share). India, China and Pakistan have boosted their roles in global exports of textiles and clothing in 2005, while the market shares of the suppliers of these products from South and Central America and Africa have suffered big losses.[35]

Among the leading exporters of clothing in 2005, the EU topped the list with $80.35 billion, China came a close second with $ 74.16 billion. India was 5th with $8.29 billion (3% of the total share of exports in the category) and Pakistan was 13th in the list with $ 3.6 billion. India's neighbours Bangladesh and Sri Lanka figured in the top 15. In the top 15 importing country's list, the EU topped that list with $128.7 billion while China was 14th with $1.6 billion and India did not figure in the list.[36] The global trade in textiles and clothing is expected to increase from over US $450 billion in 2005 to around US $655 billion by 2010, implying a growth rate of more than 7.5 per cent per annum.[37]

The studies of World Bank, IMF, WTO and others predicted some of the Asian countries like Bangladesh, Cambodia, and Sri Lanka as major causalities of the expiry of the quota regime. However, these countries stand in the top exporters list to EU and US in 2006. Bangladesh textile exports have grown by 23.1 percent to US and 32.5 percent to EU during 2006 than they were in 2005. Cambodia's exports to the US market grew by 26.3 percent and Sri Lanka stood its ground while exporting to the US. The other Asian countries, which ranked top in the exporters list to EU and USA, are China, Indonesia, Pakistan and Vietnam.[38]

India's textile exports to EU and US have gone up by 14.6% and 9.1% respectively during 2006 as compared to previous year, and the prospects for notching up further market share are bright.[39]

The elimination of textile quotas in 2005 has opened trade to fierce competition and opened window of opportunities for the countries relying heavily on this particular sector. However, the benefits for the developing countries may not be spread evenly. Countries that are more competitive will be able to exploit better opportunities. Value added products and raw material base would play a vital role for exports from developing countries. It also means that,

the house productivity will need to be improved with emphasis shifting to quality and to meet timely delivery requirements of the buyers.

The free trade regime has provided vast opportunity for accelerated increase in trade for the Asian countries, because these countries enjoyed the natural advantages in the form of abundant raw material, and low labour cost. However, the bottom line of success in the post quota regime would be quality, prices, marketing skills, adherence to delivery schedules and work place norms being insisted upon by the buyers.

India has also been pursuing bilateral pacts with countries in South Asia/ South East Asia with out much success. Because of the asymmetries in the Indian economy and the prolonged process involved in linking, it to the global order India is unable to leverage the advantages of an RTA or the multilateral process. With the Doha Ministerial Round being a non-starter, the world is increasingly being parceled out in terms of Regional Arrangements, there by further distorting global trade.

Free Trade to Fair Trade

Though the Textile and Clothing trade has been liberated from quantitative restrictions, protectionism continues. Developed countries continue to impose many trade barriers in one way or the other, not only to safeguard their domestic industry but also to favour their preferred trade partners' interests. Some of the areas of concern in this regard are:

- Resistance to a reform of the tariff regime

The issue of tariffs was not addressed adequately under the Uruguay Round of trade negotiations because of the preoccupation with phasing out of the quotas. Codified under the Non Agriculture Market Access (NAMA) negotiations in the Doha Ministerial Round, great expectations have been attached by the developing countries to seeking tariff reductions especially in textiles and clothing products. Contrary to expectations, developed countries are

imposing high tariff on textile products of developing countries, thereby restricting their market access and exports.

- Protection of preferences

The phase out of quotas in a way instinctively leads to a spiraling of the efforts to protect preferences. The EU added 10 new members in the EU 15 from 2004 to strengthen the preferential arrangements. It also modified its GSP scheme to keep out suppliers like India and continued to grant special concessions on non-trade issues like labour standards. Thus, the prevalence of peak tariffs of US and Tariff escalation of EU and Canada along with grant of selective preferences are distorting the trading environment.

- Reliance on Regional Trade Agreements (RTAs)

Some of the developed countries would prefer investing in developing regional partners and thereby serving the several sectarian interests in the domestic economy. While RTAs in general are supposed to deepen linkages with in a region, they are increasingly becoming conclaves for trading preferences. The US and EU continued to pursue bilateral agreements in leading regions of the world, which support low cost conversion operations in South America, Africa, South East Asia and the Caribbean islands.

- Enforcement of Compliance Codes

The industrialised countries lost their comparative advantage in the textile and clothing sector for a variety of reasons including structural adjustments, rising labor costs, environmental considerations. So they are putting codes of conduct, scrutinizing in detail the working practices and norms of the supplying countries. The compliance with social codes and international practices acted as instruments for regulating and restricting trade in the post Quota regime.[40]

After the four decades of quota period, the developed countries are trying to protect themselves from the free flow of trade with new instruments while at the same time sharpening the old ones.

Conclusion

In the post quota regime, developing countries are experiencing cut throat competition in the world as well as in the domestic market. The ill impacts of 'free for all' market have already begun to distort the industry. The firms are experiencing margin squeezing. Developed countries are restricting market access to developing world by way of concealed protection tactics and non-tariff barriers. The changing equations in the supply chain management, especially after the entry of china into WTO, posed many riddles to developing countries. The unprecedented changes in the global business trends are a vital input to frame export strategies. To reap maximum gain from the win-win game, developed countries are making strategic alliances to glorify the internationalization strategy.

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CHAPTER IV

TEXTILE AND CLOTHING TRADE IN INDIA

TEXTILE AND CLOTHING TRADE OF INDIA

The previous chapter examined the Textile and clothing Trade in the Globalised scenario. This chapter illustrates the Textile and Clothing trade of India. Textile is one of the oldest, conventional manufacturing industries with profound backward and forward linkages. As a hefty generator of employment, this industry can incorporate all sorts of labour force from all precincts of Indian society. The income propagating capacity of the Textile industry is marvellous. In the past the industry witnessed fluctuations due to pre-emptory procedures of colonial masters. Textile industry illuminated its outlook in the post independence period, both in number and output. The inward looking development design failed to create novel vistas for up growth. The liberalised economic regime deviated from the path of economic virtue, opened up new export avenues in the international market. The removal of quotas drifted the success formula into a number game and survival depends on larger proceeds. The low cost and diversified textile manufacture base is a boon to Indian textile industry. To tap the unexploited potentials, an intense urge to conquer the global market share is mandatory. For attaining this task, right set of policies with a dream is a pre-requisite.

The word "Textile" derives from the Latin word "Textils" and from the verb "Texere", which means to weave. Today textile is freely defined as any product made from fibres, and the name is applied to non–woven fabrics, knitted fabrics and all special fabric constructions adding up to woven goods. The term textile fibre refers to any product capable of being woven or otherwise made in to fabrics. The world production of textiles underwent great strides in

transformations, inventions, and innovations in production technology all through centuries before it reached to its modern stage.[1]

Foreign trade of India

There are immeasurable evidences of the endurance of foreign trade since antiquity. Since time immemorial, different countries were linked with each other through various trade routes. Marco Polo in the 13th century and Ibn Battuta in the 14th century recorded about the flourishing external trade of India. The arrival of Portuguese on the cost of Malabar in the closing years of the 15th century can be seen as a celebrated event. During 15th and 16th century A.D. Arabs and the Turks dominated trade in west Asia. At the end of 16th century, under a Portuguese naval watch two Indian ships ventured to East Africa, the Mediterranean, China and Japan, which helped in thriving India's trade with these parts of the world.[2]

At the beginning of the 18th century, the chief ports carrying on foreign trade were ports of Surat, Bombay, Goa and a few secondary ports on the Malabar Coast, Nagapatam, Tranquebar, Madras, Masulipatam, Culcutta and a few others on the Coromandel Coast. Cochin, which emerged as a major trade centre in the Indian Ocean region, played a very momentous role in the maritime commerce of India. It was the 1st port in the history of Asia to establish a direct trade relationship with the Atlantic ports.[3]

There was a significant expansion of India's foreign trade during the 18th century because of the tripartite partition of the Dutch, English and the French. The British rule adopted a twin trade policy and allowed the British manufacturers to import freely into India where as Indian exports to England and other countries were restricted. India was the prime exporter of cotton goods to the entire world for centuries. By 1850, India twisted into a major importer of

one fourth of all British cotton exports. Thus, the foreign trade of India acted as a vital mechanism for exploiting and debasement of the Indian economy. On the eve of Indian independence, the foreign trade of India had matured down to a typical colonial model.[4]

After Independence, the Indian Government followed an innovative protectionist foreign trade policy with double objectives of industrialization and economic development. The share of merchandise exports in the value of GNP has ranged from about four percent to seven percent over the three decades from 1950 to 1980. Since planned development began great efforts have been made to reduce India's dependence on imports. Despite these efforts, foreign exchange has been in chronic short supply. India encountered a series of balance of payment crisis in 1957, 1965, 1974 and 1979. The average level of exports during the First Plan period was Rs.605 crores with a deficit of Rs. 130 crores.[5]

India's share in world trade fell steadily from 1.9 percent in 1950 to 0.4 percent by 1980. India's exports grew more slowly than the world average (20.4%) or the developed country average (18.9%), while other developing countries, even excluding oil producers, were able to better these figures. In 1957, traditional exports made over 87 percent of India's manufactured exports and 35 percent of its total exports. By 1975-76, their share had fallen to 41 percentage of total manufactured exports, 18 percent of total exports. Non-traditional manufactured exports, as a proportion of total exports, rose steadily, from just 5.2 percent in 1957 to 26 percent by 1975 -76 and 37 percent by 1979-80. Their share in total manufactured export increased from 12.7 percent in 1967 to over 63 percent by 1979-80.[6]

India's participation in world markets declined steadily during the second half of the 20th century, with a marginal improvement following the reforms of the 1990's. The major market for India's export products have been the

European Union, North America, and Asia, which accounted for nearly 75 percent of total exports during 1992-93. Its share of world merchandise exports was 2.2 percent in 1948, higher than China's 0.9 percent or Japan's 0.4 percent. It fell to one fifth of its initial levels, 0.5 percent in 1983 and recovered only marginally to 0.7 percent in 2000. Japan in contrast, progressively increased its share from 0.4 percent in 1948 to a peak of 10 percent in 1993.China's share first increased to a high of 1.3 percent in 1963, then fell to a low of 1 percent in 1973, later recovering dramatically after its opening to the world economy in 1978 to 4 percent in 2000.[7]

According to the World Trade Organisation (WTO) report on World Export and Import 2005, Germany remains the world's major exporter with US$971.9 billion and the United States stands next with US$897.68 billion, contributing 9.46 percent and 8.73 percent respectively to world trade in goods. India has jumped five places to become the World's 11th biggest exporter of commercial services in 2005, and inched one step ahead to the 29th rank among the largest mercantile exporters. WTO has listed India among the leading services traders, with value increase of 15 percent or more in exports. The country's goods export is just 0.9 percent and goods import 1.3 percent, in services, the country has 2.3 percent share in exports and 2.2 percent in imports during 2005 in world trade.[8] The share of merchandise trade and service trade was 63.3 percent and 36.7 percent respectively in 2005-06. USA ranks 1st among the countries that have been importing commodities from India, followed by Germany, China, Japan, United Kingdom, France and Italy. India is the 31st leading exporter and 24th leading importer in world merchandise trade.[9]

The decadal import and export performance of India in terms of rupee value for the last five decades is revealed in the table below.

Table No. 4.1
Foreign Trade of India 1970-71 to 2005-06

(Rs.Crore)

Year	Export	Import	Trade Balance
1970-71	1535.25	1634.20	-98.95
1980-81	6710.71	12549.15	-5838.44
1990-91	32557.63	43192.86	-10635.23
2000-01	203571.01	230872.76	-27301.75
2005-06	454799.97	630526.77	-175726.80

Source: Government of Kerala, Economic Review 2007

Table No.4.2 reveals the growth of India's Foreign Trade from 1970-71 to 2005- 06. Exports and imports increased at a geometrical progression. Exports posted a growth of 123.4 percent from 2000-01 to 2005- 06, and imports growth was 173 percent during the same period. Exports of 2005-06 were valued at Rs. 454,799.97 crores, which is 21.17 percent higher than the level of Rs. 375,339.50 crore during 2004-05, and imports posted a growth of 25.83 percentage during the same period. [10]

India recorded merchandise exports of $125 billion in 2006-07 which was a quantum jump over $63.8 billion recorded three years ago, with an annual Compounded Growth of 25 percent since 2004 compared to 12 percent of the previous three years. India's manufacturing and services sector took the county's share in world trade from 0.76 percent three years ago to more than 1 percent in 2006-07. To sustain the performance in the past three years the Union government has increased the 2007-08 fiscal years export target by $10 billion to $160 billion. To quote Union Commerce and Industrial minister Kamal Nath, over the years foreign trade has come to occupy a pivotal position in our economy. Exports are no longer a means of generating dollars. They are now an engine of growth and driver of employment generation. With merchandise

imports growing faster than exports of goods, we do have a trade deficit. Taking into account the export of services (71.6 billion) in 2006-07, the trade gap in goods and services become more manageable.[11]

Foreign Trade Policy (2004-09) aims to double India's share of global merchandise trade by 2009 and there by to increase economic growth and employment generation. To make India a global trading hub, a new scheme to establish Free Trade and Warehousing Zones (FTWZs) has been introduced to create trade related infrastructure to facilitate the import and export of goods and services with freedom to carry out trade transactions in convertible currencies, and permitted FDI up to 100 percent in the development and establishment of these zones.

The main objective of import policy is to make necessary imported goods more easily available and promote Foreign Trade. India's exports in recent past have continued to grow at a rate higher than of world exports or exports from developing countries. In the 19th and 20th centuries, foreign trade developed more swiftly together with the enhancement in the means of transport. In the liberalized world scenario all the countries in the world have become economically inter dependent; trade forming the very root of their interdependency.

History of Indian Textiles

Clothing is one of the crucial requirements of human beings, along with food and shelter. Conceivably India was the first country in the whole world to have perfected the art/craft of weaving. The earliest known woven fabrics were those used as shrouds for the Egyptian mummies, which are made in approximately around 5,500 B.C. Nevertheless, there is enough scientific confirmation to trace that cotton has been in use in India for over 5000 years.

While an assortment of plant fibres were prominently used for weaving textiles in the early Vedic period, it is only in the texts of the post-Vedic period

that references to cotton begin to appear. In the Rig Vedic society, spinning and weaving were highly sophisticated occupations. The weavers were concerned only with weaving cotton and woollen fabrics, while others performed dyeing and embroidering work. [12]

The unearthing of several spindles, as well as piece of cotton cloth stuck to a silver vase prove beyond doubt that the spinning and weaving of cotton was known to the Harappans nearly five millennium ago. The sacred texts such as Ramayana, Mahabharata and the Puranas also contain references to cotton materials. Apart from this in the Tamil Sangam literature dated prior to the third century A.D., the use of cotton seed as food during famine, untwisted lint as wick for lamps and the evolution of the lint as material for spinning and its use as textiles have been mentioned in the ancient Dravidian literature.

During the reign of Chandra Gupta Maurya (321-297 B.C), the fabrication of cotton goods was reported to have reached a status of excellence. Kautilya in his Artha sasthra written during the second century B.C. has referred to the excellent cotton goods of Vanga (present Bangladesh). In the first century A.D. the Arabs and the Greeks are reported to have delighted raw cotton and cotton goods from Patiala, Bharuch and Masulipatnam. Sulaiman, the Arab traveller who visited India in the 9^{th} century A.D. writes that cotton fabrics finished in the kingdom of Rahmi (now in Bangladesh) are so fine and fragile that a dress made of it may pass through a signet ring. In the 12^{th} century, Jewish merchants of Keiro Ganiza established trade links with India and other Asian countries dealing in textiles, jewellery, vessels and ornaments of silver, brass and other resources and spices. [13]

Alexander invaded India in 327 B.C. Subsequent to his invasion Greek merchants commenced the import of cotton cloths from India. He was bewildered by our achievements and took back with him some of our printed cottons, as well as many of our finely woven silks, which were analogous to

those of the master weavers of China, though the style of decoration was similar to that of Persia. When the Mohammedans invaded India in 711 A.D., they were intrigued by the Indian painted and printed cotton fabrics. The Roman General, Mark Antony (83-30 B.C.) is also reported to have given his men the comparative comfort of cotton cloth from India. Subhash Chandra Bose (1938) wrote about the early history of Indian Cotton Industry. He stated that, after the consolidation of the Mughal Empire by Akbar (1542-1605), there was a revival of arts and industries and very fine cotton fabrics were produced and exported in various parts of the country. The production and export of cotton goods have been reported from Surat, Ahmedabad, Banaras, Coromandel Coast and Bengal.[14]

The East India Company started the first factory to trade in cotton at Surat and the second at Madras in 1639 A.D. Direct trading of cotton goods to Britain began in the 1640s through the port of Calicut (present Kozhikode in Kerala), thus earning the name of Calico. The English first exported Dacca Muslins around the year 1666 A.D. and by 1675 A.D., the fashion of wearing this fabric became common in England. After analyzing, the various facts it can be inferred that the cotton used in the manufacture of Dacca muslins were indigenous.[15]

In due course the new clothes began to appear as a threat to the then existing British Woolen Industry. The East India Company came under severe attack for cheering production of cotton fabrics in India and bringing them to England. An Act of Parliament was passed in 1721 A.D., prohibiting the wearing of the printed calicos. The dawn of the Industrial Revolution in England in the 18th century, with the invention of spinning and weaving machines under the modern factory system strengthened the Lancashire Textile Industry and increased the demand for raw cotton from India. By 1793, the Court of Directors of East India Company in London revised their policy to increase import of raw material and export of British manufactured goods. The imports of raw cotton to

Britain was placed at pounds 56 million in 1801 and India was the principle source of supply of raw material. By 1850, India accounted for almost one-sixth of the total textile exports from England and became the chief consumer of British textiles. India was thus reduced from the position of a supplier of manufactured cotton goods to that of a supplier of raw cotton for British textile mills.[16]

Indian handloom products have global name and fame. History has exposed that the handlooms have existed in developed and developing countries such as USA, UK, Thailand, and United Arab Republic etc. Indian Handlooms are very famous for their special design exquisiteness and for gentleness. The handloom industry of India is highly labour oriented having a legacy of unrivalled artisanship with a decentralised set up. This cottage industry has spread throughout the length and breadth of the country. Banaras has an old tradition in weaving styles for export. Gujarat developed its own styles of Kinkabas woven with extra weft patterns. The Baluchar of West Bengal was always famous for saree form in plain with flowery border. Orissa has its own Patole Style alone in Tasser silk and in single Ikat. Assam has several varieties of silk. South India is famous for its high and heavy quality silks. Kanchipuram, Salem, Arani sarees are also very famous. Gadwal, Narayanavaram cotton sarees are much admired among educated persons. The Indian handloom products comprises of varieties of sarees, carpets, Bed sheets, Bed spreads, lungies, towels, shawls and other materials which are appropriate for the dissimilar persons for diverse occasions with different tastes, cultures and features.

With the establishment of the British rule in India along with its attendant demonstration effect started the dooms day of the industry. A deliberate policy was adopted by the British administration for the marketing of the British manufactured products. With the introduction of spinning Jenny in England, hand spinning which provided occupation to a large number of people was completely replaced by the increased use of the Mill yarn. The introduction of

power loom reduced the cost of production considerably and its impact was far reaching that not only did the exports of cotton textiles from India dwindle from the middle of the 19th century but also the import of cotton fabrics to India gained momentum. The export of cotton piece goods which amounted to Rs.165 lakhs in 1816-17 declined to Rs. 8 lakhs by 1830-31, where as during the same period import of cotton yarn and piece goods went up from Rs. 3 lakhs to Rs. 60 lakhs. However, in spite of such adversities, the handloom managed to survive largely because of the strong preference of Indian women to sarees and khans manufactured by handlooms.[17]

The Indian cotton textile mill industry dates back to its origin to the year 1817, when Messrs Fergusson and company of Calcutta, put up the 1st cotton factory in India. Charles Desbassyus, the Administrator General of Pondichery had established a composite textile mill in Pondichery in 1830. James Landan established the Bruach Cotton Mill in 1855. Sir Robert Stanes, a British textile mill owner encouraged G.Kuppuswamy Naidu to start a ginning factory which today forms the basis of The Lakshmy Mills Company Ltd. During this period, a number of cotton mills were started in different parts of the country. By 1890, there were 136 mills, many new mills being established in south India.[18]

In the infancy stage, the mill industry considerably impinges upon the sphere of other suppliers in the market, like imports and handlooms. After the First World War, the production was stepped up from 1136 million yards in1914 -15 to 1640 million yards in 1919. In the 1911-31 censuses, a quarter of the workers in industry were employed in textiles, mainly in artisan textiles. Cotton textile is the most important example of a craft threatened by steam-powered technology, or of pre modern industry endangered by the Industrial Revolution or even of Indian livelihood threatened by industrialising Britain. The production of cotton cloth extended by about 30 per cent between 1900 and 1939.The colonial period witnessed the ruin of many types of weavers, or their diminution into a state of tremendous vulnerability.[19]

The universal great depression imparted ample progress to the industry and the number of mills rose from 275 to 389 in 1924-25. The Second World War shaped excess demand for cotton textiles due to spurt in civilian consumption, wartime inflation and demand from defence department. During the World War II India's exports of yarn and cloth had reached dizzy heights. In 1942-43, India exported 943 million yards of cloth and 39 million pounds of yarn. The "Swadeshi Movement" played a positive role in daunting imports and assisting indigenous mills. The production exalted to its zenith of 4,850 million yards in 1944 and imports dwindled to a meagre 5000 yards.[20]

In 1944, the British government had issued the Cloth and Yarn Export Control Order which prohibited exporters from charging prices more than 107 per cent of domestic prices for exports. However, by 1945, a new control order was issued, which made it binding for exporters not to sell below certain minimum prices fixed in proportion to domestic prices. It recognised the opportunity to export, but expressed apprehensions about their long-term sustainability. In 1945, mills were banned from increasing production. Instead of meeting overseas demand for cloth, the Indian government imposed an export tax of Rs.20 per bale of 400 pounds of cotton with effect from October 1946. In 1946-47 exports were a mere 369 million yards. After the World War II, the whole world was lamenting for cloth. There were reports of the Japanese being worried about India taking a lead over them in the global arena. But India followed an inward looking policy and neglected the exports of textiles.

The progress of the industry was arrested in some measure by the partition of the country, as the secession of the areas constituting Pakistan not only resulted in the loss of the best home market for Indian cotton piece goods but also its main source of supply for long staple raw cotton. It increased our dependence on imports of raw cotton. Of the total 394 cotton mills of undivided India, 380 were located in India and only 14 in Pakistan.[21]

The idea of boosting export to modernise the industry never entered into anybody's mind. Even FICCI recommended only a nominal cut in export tax from 25 percent to 20 per cent. In 1947, exports were the lowest since the war at 236 million yards. During this period, India was exporting 3.5 lakh yards of lungi cloth to South Africa every month, but banned these exports due to the Apartheid policy of South Africa. When control on domestic distribution and prices of cloth was removed in January 1948, the Industry forgot all about exports. Export duty was reduced from 25 per cent to 10 percent in October 1948, but even that did not help much.

Domestic demand for cloth started showing signs of sluggishness in 1949, that forced the government to repel export duty on the one hand and on the other to decontrol all export barriers. As a result, export rose considerably. In 1950, 1072 million yards of cloth and 82 million lbs of yarn were exported. In that year, Korea war broke out and global demand for cloth surged, and India became the largest exporter of textiles in the world in 1950. As the Japanese and British Industries were getting their bearings back, an attempt was being made at the international level to regulate global trade. A delegation led by Sir Raymond Streat visited India in 1950 and it was agreed that India should export not more than 900 million yards of cloth a year. The world market at that time was about 5000 million yards. To curb exports and to meet domestic demand, an export tax of 10 per cent was levied on medium and coarse clothing on March 1st 1951 and the rate was hiked to 25 per cent on June 1st 1951. In August 1952, Handloom Reservation Act was extended to export and the export licensing of lungi cloth produced by mills and power loom was stopped. In October 1952, only handlooms allowed exports of 'lungis', 'sarongs' and 'gumchas' exports were allowed. In 1952, cloth exports declined further from 1072 to 543 million yards. Japanese exports grew from 1000 million yards in 1950 to 1400 million yards in 1951. The government anticipated the promotion of export of handlooms and fine and superfine cloth produced by the mills, but it failed to grow. Neither of

these segments was interested in exports, because of good margins available in domestic markets.[22]

Table No. 4.2

Indian Exports of Cotton Piece Goods from 1946-47 to 1958-59

Year	Hand loom cloth		Mill made only		Total Exports	
	Quantity (Million Yards)	Value (Rs. Crores)	Quantity (Million Yards)	Value (Rs. Crores)	Quantity (Million Yards)	Value (Rs. Crores)
1946-47	N.A	N.A	N.A	N.A	318	25.0
1947-48	N.A	N.A	N.A	N.A	193	18.0
1948-49	N.A	N.A	N.A	N.A	356	37.5
1949-50	N.A	N.A	N.A	N.A	706	59.5
1950-51	60	10.9	1210	105.8	1270	116.7
1951-52	40	9.2	384	44.5	424	53.7
1952-53	55	8.7	512	54.7	567	63.4
1953-54	63	9.9	704	56.0	767	65.9
1954-55	58	8.2	761	57.9	819	66.1
1955-56	60	8.5	680	51.3	740	59.8
1956-57	55	8.0	775	54.8	830	62.8
1957-58	36	5.2	750	52.3	786	57.5
1958-59	33	5.1	554	40.7	587	45.8

Source: Datta, Babatosh, et al. "Economic development and exports." A study of the impact of economic development on exports. Calcutta: The world press Pvt. Ltd., 1962.

N.A = Not Available

Table No. 4.3 shows India's Exports of Cotton Piece Goods from 1946-47 to 1958-59. Separate data for handloom and mill made were available only from 1950-51. Hand loom exports declined from year to year. But the mill sector exports were varied. The total exports of hand loom and mill cloth also varied disproportionately.

Table No. 4.3

Export of Indian Mill Made Cloth from 1950-51 to 1955-56

(Quantity in million yards)

Name of countries	1950-1951	1951-1952	1952-1953	1953-1954	1954-1955	1955-1956	Total of 6 years	Average of 6 years	Average % of average total
Aden	80.2	29.6	68.8	80.2	51.2	38.1	347.3	57.9	8.2
Australia	54.7	24.8	65.4	43.4	39.5	42.2	270.0	45.0	6.3
Burma	137.5	12.6	78.8	74.9	32.3	12.1	348.2	58.0	8.2
Ceylon	45.6	8.6	17.3	21.1	22.9	22.0	138.5	23.1	3.3
Kenya	31.5	13.6	26.3	33.4	35.3	34.5	174.6	29.1	4.1
Malaya	25.2	91.4	8.1	9.6	11.5	9.2	155.0	25.8	3.6
Nigeria	21.0	7.9	14.8	47.0	47.5	53.6	191.8	32.0	4.5
Pakistan	48.1	24.0	41.3	3.7	22.7	5.4	145.2	24.2	3.4
Singapore	19.8	58.8	91.5	40.0	29.9	26.0	266.0	44.3	6.2
UK	91.4	49.2	28.9	44.5	115.9	81.3	460.4	68.4	9.5
Others	655.0	63.5	71.6	306.2	353.1	205.6	-	-	42.6
Total	1210	384	512	704	761	680	4251	709	100

Source: Datta, Babatosh, et.al. "Economic development and exports." A study of the impact of economic development on exports. Calcutta: The world press Pvt. Ltd., 1962.

Table 4.4 analyses the export performance of India in Mill made cloth from 1950-51 to 1955-56.UK stands 1st in the top ten countries for an average period of six years. India's total exports showed a fluctuating trend during the period.[23]

Perhaps one of the least anticipated aspects of India's textile experience has been the precipitous decline in the international competitiveness of her textile exports as manifested in the steep drop in her market shares since the 1950s. This is particularly because India was the earliest among the developing countries to establish full–fledged indigenous Textile Industry. However the labour intensive character of textile and clothing manufacture should have afforded a natural comparative advantage to a low wage paying, densely populated country. However, despite the advantage of a head start and

favourable factor endowments, it has intriguingly been unable to withstand the competition from other, generally higher wage, developing countries that were in the field. From a peak share of 58 per cent of all developing country exports of textiles and clothing in 1953, India's share declined to 8 per cent of such exports in 1969.[24]

The Cotton Textile Export Promotion Council was set up on 4th October 1954. From the mid fifties onwards, external balance of payments had also started causing worry. In 1957, the government called for increased exports, but due to obsolete machinery, the industry was not able to achieve the target. With government support, it was decided to import 18,000 automatic looms but due to bureaucratic stipulations, the plan was dropped. Lakshmi Mills installed 200 looms through a contract with Swiss loom manufacturer under buy back cloth scheme. Ahamedabad mills were satisfied with the demand for their cloth in the domestic market and completely ignored the automatic looms scheme. By this time, Japan had completely re established its supremacy in world markets and China had started making its presence felt.[25]

India's export performance has been in marked contrast to that of some of the major Asian textile producers, particularly in South East Asia, which have been able to increase their market shares of world exports. In 1978, the Republic of Korea's exports of clothing and textiles alone exceeded the whole of India's exports of manufactures. During the period from 1975 to 1985, other developing countries also tripled their share of world exports of textiles and clothing from 7.8 per cent to 20.9 per cent, whereas India's share stagnated at less than 2 per cent of such exports. By 1988, India's total merchandise exports were only four-fifth of the textiles and clothing exports of Hong Kong. Due to the erosion of the market shares of textile exports, the growth of the Indian Textile Industry has, of necessity , been tied down to the growth of domestic demand. In contrast, India's South East Asian competitors, who were following more outward oriented strategies of development, were to take full advantage of the shifting

international comparative advantage in this area due to "export – led growth strategy".[26]

Indian Textile Trade during Quota Regime (1974 – 1994)

The global trading regime in textiles and clothing sector has a long history. Starting with voluntary export restraints for cotton textiles in the 1950's, the Long Term Arrangement in international trade in cotton textiles (LTA) of the 1960's and in the early 1970's, it graduated to the Multi Fiber Arrangement (MFA) from 1974 to 1994.

MFA exempted textiles and clothing from GATT disciplines, allowing Industrial countries to play bilateral quotas on import of various textiles and garment product categories. This quota system was directed to protect the market of the Industrial countries and to allow them to restructure and adapt to competition from cheaper imports from developing countries. Textiles are the most important commodity on which Indian exports face quantitative restrictions in the form of MFA quotas in the main markets. All textile items including clothing under HS code 50 to 63, and some textile items falling under HS code 68 and 93 are subjected to MFA quotas. In the USA, some of the main markets for Indian textile exports, more and more items have been incorporated in the MFA quotas. So much so that since 1986, with in 6 years MFA quota coverage has expanded six times from 16 percent to 95 percent by the year 1992. Although, quotas prima facie may provide some satisfaction to the exporters by way of ensured markets, these operate more dangerously to prevent growth of exports beyond quotas and the importing countries conveniently use them as an effective tool to protect their domestic industry.[27]

Table No. 4.4

Statistics of Indian Textile Sector

Particulars	Year 1981	Year 1985	Year 1990	Year 1993	Growth rate Per Year (%)
Number of Spinning Mills	442	702	770	874	5.8
Number of Composite Mills	281	282	281	281	.0.4
Number of Spindles (Million)	21.78	25.57	26.59	26.59	2.1
Number of Looms('000)	210	210	181	181	-2.3
Number of rotors('000)	-	11.5	63.0	63.0	30.6
Number of Shuttleless looms	464	1204	3784	3784	26.3
Number of Workers('000)	1200	1179	1102	1102	-0.9

Source: Jahar Saha and Sukhla.P.R, Country Study, Indian Primary Textile Industry

Table No.4.5 reveals that the number of spinning mills increased by 5.8 percent but the number of composite mills remained the same during the period from 1981 to 1993.The number of spindles increased only marginally, where as the number of looms declined by -2.3 percent. The number of rotors and shuttle less looms increased substantially. The number of workers dipped by -0.9 percent.

Indian exports rose from 430 to 630 million square meteres in 1973, mainly because of the changes in the import export policy. Another important development was the signing of the Multi Fibre Arrangement in 1974 and apparel imports of the developed world took off in a big way. In the first half of the 1970's countries across the globe suffered under the impact of high oil prices and it changed the export outlook of India. It was in the late 1970's that policies started getting export oriented. Duty–free imports of inputs were allowed under the Advance License Scheme. The government liberalised the licensing

procedures for export industries and followed a cheap credit policy. The exports of mills had plunged to a terribly low level of 271 million square meteres by 1978.

When clothing quotas first introduced with specific ceilings, the handloom exemption clause of Article12.3 of the MFA provided a loophole for Indian products which few other developing countries could have enjoyed. However, demand boomed and even mill made garments sold so well that quotas were gradually over subscribed in several major categories. By the end of 1975, quotas became a serious hindrance to trade. Quotas existed on several individual clothing items and India's special advantage, the handloom exemption was withdrawn.

During 1971 to 1986, the demand for textiles faced a significant shift in market distribution with a three-fold rise in the share of the developed market economies of Europe and a corresponding decline in the shares of America and the rest of the world. India's value of textile and clothing exports in 1986 was two-thirds of the market value share of 1971, due to the poor competitiveness. India's Asian competitors had a much larger presence in America and Europe. In 1983, 53 percent of textile and apparel exports of Pakistan, 48 per cent of China and 47 per cent of Thailand were to non-quota market as against the 13 per cent of India. Western Europe remained as the largest market for cotton textiles; hence, its demand for cotton fabrics was the highest during this period. Owing to the growth in world export demand, Asian exporters experienced much headway in exports than India. Korea and Thailand exported 20 times and China 7 times more than Indian exports, with the exception of marginal increase in apparel exports.[28]

By the late 1980s, around 80 per cent of India's exports of clothing and textiles were to the developed market economies of Western Europe and North America, around 10 to 15 per cent to the centrally planned economies of the Eastern bloc with which trade took place on a rupee basis, leaving a relatively miniscule percentage of exports to the fast growing non-quota markets such as Hong Kong and Japan. The direction of India's exports has been more to areas where import demand grew at a relatively slower pace such as Western Europe rather than to markets that were more buoyant such as the USA, Southeast Asia and Oceania. This factor also accounts for its relatively poor performance. The changing composition of world trade has created a drift in favour of clothing along with textiles in Indian exports. One of the important points of difference in the commodity composition of exports between India and her Asian competitors has been the much larger shares of man made textile items in their exports.[29]

Table No. 4.5
Textile Exports from India

(Value Rs. Crore)

Years	Cotton Textiles Fabrics, Made-ups, (mill made/Power looms)include yarn & sewing thread	Cotton Textiles (Handloom) Fabric& made-ups	Man Made Fiber Textile (***)	Woolen Textile (*)	Silk Textile (**)	Ready Made Garments	Total
1981-82	284.10	123.20	37.40	151.50	69.70	669.80	1335.70
1982-83	314.50	129.40	55.20	172.60	82.90	629.30	1383.90
1983-84	319.40	125.90	51.50	123.30	94.50	734.60	1449.20
1984-85	471.60	168.40	54.00	152.60	122.90	948.30	1917.80
1985-86	469.60	161.30	49.90	152.50	156.20	1096.10	2085.60
1986-87	560.60	165.70	68.30	173.20	194.90	1503.00	2665.70
1987-88	1035.60	239.30	159.00	162.90	199.90	199.50	3796.20
1988-89	1057.30	284.10	269.00	271.90	273.90	2278.10	4434.30
1989-90	1483.20	341.80	589.20	434.60	314.90	3472.20	6635.90
1990-91	2051.06	407.20	624.80	92.30	435.90	4639.64	83250.90
1991-92	3142.77	689.20	1089.13	166.72	670.98	6282.35	12041.15
1992-93	3828.14	1033.64	1436.30	422.85	734.20	8840.75	16295.88
1993-94	5003.44	1297.48	1843.71	605.10	789.26	11648.06	21187.05
1994-95	7234.06	1504.60	2463.51	537.53	937.31	13921.62	26598.63

Source: Compendium of Textile Statistics 1995.
*Woolen Textiles excluding Hand knitted, Woolen Carpet, Druggists etc, Ready made, Knit wears.
** Silk Textiles including Ready made Garments
*** Man –made Fiber Textiles, excluding Knitwear and Ready made.

In the MFA period, the exports of cotton textiles, man made fiber textiles, silk textiles and ready made garments showed an increasing trend. The export of cotton textiles (Hand loom) revealed an increasing trend except for the years 1983-84and 1985-86.A fluctuating trend was visible in the case of woolen exports. The total exports increased from Rs.1335.70 crore to Rs. 26598.63crore during the period from 1981-82 to 1994-95.[30]

MFA has retarded the growth of textiles and clothing exports of the developing nations as a group to developed country markets, it cannot account for the relatively poor performance of India, which has recently begun to fulfill her allocated quota in textile items. The vital factor in the phenomenal export growth of the other Asian textile producers lies in the supply - side determinants of international competitiveness because of which these countries were able to exploit the shifting comparative advantage in world textile and clothing manufacture.

The relative price of a product can be regarded as a reliable barometer of international competitiveness. Because of the highly segmented nature of the market, it is meaningless to compare the prices of Indian apparel with those of Hong Kong, since the quality parameters may be wholly different. In quota-restrained markets, a decline in relative prices would have at best a marginal impact on the volume of exports since the quota limits are set in quantitative terms. India has been able to maintain its competitive position in terms of production costs in relation to Korea entirely because of an almost 100 per cent depreciation of the rupee against US$ over the period 1981-1989. Thus, exchange rate adjustments are a crucial ingredient of international competitiveness.

The cost data do not include some of the other dynamics of Asian textile exporters such as China, Thailand, Indonesia, etc. whose costs of production are probably even lower. Thus the competitiveness of Indian export production of

textiles as revealed by the Indian Textile Manufacturers Federation (ITMF) data was more apparent than real in the global context. Production costs reflect only one vital element of export competitiveness. The other crucial determinants of export performance are non-price factors such as quality, reliability, adherence to delivery schedules, speed of response etc, which probably represent the weakest link in India's export efforts in textiles and clothing.

There was some growth in the second half of 1980's and the exports reached 468 million square meteres in 1990. As a part of the export quotas was earmarked for power looms, politically influential traders earned crores by selling these quotas to genuine exporters, and it adversely affected their competitiveness. Numerous schemes and incentives were offered to exporters, but due to "License Raj", they became inoperative.[31]

Indian Textile Industry in the ATC regime (1995 - 2004)

On January 1, 1995, MFA was replaced by the WTO Agreement on Textiles and Clothing (ATC), with an assurance to a 10 year transitional process for the ultimate removal of these quotas and fully integrating the sector in to WTO rules by January 1, 2005.

In 1995, the value of Indian exports of textiles and clothing was 15 times more than the value in 1955. Nevertheless, the Indian share in the world trade in textiles and clothing declined from 10.9 per cent in 1955 to 2.89 percent in 1995. While the Indian textile firms were losing their market share in the overseas market for Textile and Clothing, the Chinese, South Korea and Hong Kong firms were improving their shares in this trade. It is a matter of concern that the Indian share in world exports in Textile and Clothing was 2.89 per cent in 1995, much lower than the Chinese share of 13.24 per cent. Another conspicuous feature of the world Trade in Textile and Clothing is the high and growing degree of concentration of trade among the top ten to fifteen countries.[32]

All the indicators of performance such as installed capacity, production, consumption etc, have shown promising trend during the decade, 1994-2004 and it exposed that the industry's fortunes are on the upswing. The installed number of cotton and man made fiber textile mills increased from 1175 in 1994 to 1787 by the year 2004, registering an increase of 52 percent. The growth has been mainly due to the increased set up of spinning mills which was 909 during 1994 which increased to 1564 in 2004 as the installed spindlage amplified from 28.6 million to reach around 34 million during the same period registering an addition of 5.42 lakhs spindles.[33]

The review of Indian Textiles and Clothing trade showed an up trend of textiles trade from 2.4% in 1980 to 3.8% in 2003 and in the case of the clothing the share of 1.7% has gone up to 2.9% during 2003. Textiles and clothing are always the single largest foreign exchange source for the country, accounting for 21 per cent of the countries total export earnings during the decade. Due to adoption of export- friendly government policies and positive efforts by the exporting community, textile exports increased substantially from US$ 7.55 billion in 1994-95 to US$ 13.07 billion in 2004-05. The ready-made garment sector is the biggest segment in the India's textile export basket contributing over 46 per cent of the total textile export.[34]

Table No. 4.6

Indian Textile and Clothing Exports 2003-04

Country	Million US$	%Share
EU(15)	3857.6	28.5
US	2931.8	21.7
UAE	1121.1	8.3
Canada	350.5	2.6
Saudi Arabia	320.7	2.4
Rest	4930.0	36.5

Source: Nayak, P. 3 Ts Journal of Textile Committee. 4(2006):10-18.

During 2003-04, India's total exports of Textiles and Clothing shows that the erstwhile EU is the top ally with a trade of $ 3.86 billion (28.5%), while the trade with the US is posted at $2.93 billion (21.7%). The trade with UAE is $1.12 billion (8.3%), Canada $0.35 billion (2.6%), Saudi Arabia $0.32 billion (2.4%), and the rest of the world countries amounts to 36.5 percent. So far as the clothing export is concerned the EU remained as the largest market for India having an export share of over 38 percent while more than 26 percent of the exports were heading for to the US. The UAE, Canada and Russia are the other clothing export destinations with export shares of 9.8 percent, 3.9 percent and 3.3 percent correspondingly. Only 19 percent of the trade is with the rest of the world.[35]

India's Performance during ATC in Major Markets

India's traditional markets are US, EU, Canada and Japan. In the EU market India ranks third in textile export and sixth in clothing trade in 2003. As far as the US market is concerned India stands fifth in textile exports and seventh in clothing export. In the Canada market the position in textile export indicates

fourth place in textile exports and third place in clothing. In Japanese market, India's grading is seventh position in textile export and in the case of clothing India is lagging.

EU imports textiles worth $ 58 billion out of which 60 percent supplied by EU member states (EU 15). India supplied 10 percent of the EU imports of $23 billion. There has been a moderate decline in import share in 2002-03 which picked up in 2004. India's growth in the EU market has been above EU's total import growth of textiles. India is the third largest extra EU supplier of textiles after China and Turkey with five and six percent of total textile import shares of EU.

India is the third largest supplier of textiles to the US market with an import share of 7.6 percent in 2004. China and Canada supply 40 percent of the US imports of textiles worth $ 18.5 billion. While, China has doubled its import share of 15 percent in 1994 to 30 percent in 2004, Canada's imports to the US have been stagnant at 8.5 percent over this period. India has also doubled its import share in the US market during ATC implementation period.[36]

Table No. 4.7
India's Import Share of Textiles in EU-15 and US Market

Year	**Share in EU textiles imports**		**Share in US total Textile imports**
	Total	**Extra - EU**	
1990	1.9	6.1	3.9
1994	3.1	8.6	3.8
2000	3.6	10.0	6.6
2001	3.8	10.0	6.6
2002	3.5	9.2	7.2
2003	3.6	9.2	7.4
2004	4.0	9.8	7.6
Annual change 1994-2004	4.9		13.1

Source: Export Performance of Indian Textile products – Tapping the Textile Opportunity, Sibichan Mathew, Modern Textiles, Volume 1, Issue 1, March-2006.

In 2003-04 Textile and Clothing exports constitute 17 percent of India's exports. Indian Textile Industry is independent in the 'farm to fashion' value chain. India's textile exports have shown mixed performance, in the ATC regime. The growth or decline has been in tandem with the global textile trade trend but the rate of growth or decline has been above that of the worlds. The Textile and Clothing export growth (27.8%) has been above that of India's total export growth in the pre ATC period. This has declined by 20 percent during the ATC implementation period resulting in an annual growth lower than the total export growth. Indian textile exports in Rupee terms have recorded annual growth in the range of 34 to -44 percent between 1989-90 and 1991-92. From such high peaks, it has declined (-7%) in the financial year 2001-02 and picked up in the financial year 2002-03(16%) and dropped to (-2%) in 2004-05.[37]

Developing country's share in textile exports has increased from 17.3 per cent in 1980 to 41.9 percent in 2003, while in clothing it has increased from 16.4 per cent to 46.1 per cent during the same period. China has significantly increased its textile exports from 4.6 per cent in 1980 to 15.9 percent in 2003 and clothing from 4 per cent to 23 per cent during the same period. As far as Indian exports of textiles and clothing are concerned, the share of textiles trade has increased to 3.8 per cent in 2003 from a level of 2.4 per cent in 1980. In the case of clothing, the share of 1.7 per cent has gone up to 2.9 per cent during 2003. In the technological front, marketing strength and international competitiveness, India is sheathing behind China, Taiwan, Korea, Pakistan, Bangladesh and Sri Lanka.[38]

The hand loom sector has always been outside the quota system. Only in the handloom made ups category certain items came under quota in USA. As a consequence, while quota had the effect of restricting export of Indian textiles, as far as hand loom items are concerned, it proved beneficial in that the excess demand of the quota items necessarily had to be met by hand loom products, once the quotas were exhausted. Thus in the countries comprising the EU, USA

and Canada, hand looms have always received a special treatment despite the MFA. The preferential treatment received by the hand looms will no longer exist after 2004.

India's share in international trade in Textiles and Clothing is presumably very low to the tune of three percent of the total world trade. Globally the fibre mix is skewed towards man made fibres with a fibre mix of 42 percent cotton and 58 percent man made, while Indian exports are highly skewed towards cotton with a fibre mix of 86 percent and 14 percent respectively. The cotton textile exports account for 14 percent of the total cotton textile trade in the world. Major players in the textile industry of the world are showing more leniencies towards synthetic and knitted fabrics. India's knitting sector is scanty as compared to woven sector. India enjoys a sumptuous domestic market which consumes two third of the total output and leaves only one third for the international market. Indian product mix is oriented towards technical and industrial textiles. China holds a major share in the production of technical textiles which projected a market of US$ 90 billion. India's share in this sector is only two percent of the total world market share.[39]

Structure of Indian Textile Industry

The Indian Textile Industry has a multifaceted structure. On the one hand, it is marked by the presence of large-scale organized players, on the other hand, the frequent small-scale independent units, and down the line, are the weavers, artisans, and farmers. The organised sector encompasses mechanised spinning and composite mills and the unorganised sector consists of power looms and handlooms. For the production of textiles, there is an intricate inter play of the processes, which include ginning, reeling, spinning, weaving and garment manufacture. In respect of fiber specific configuration, there is a wide array in the textile sector from cotton, jute, wool, silk blends, manmade fiber and 100 percent cotton.

Table No.4.8

Capacity of Indian Textile Industry

Particulars	1971	1981	1991	2001-02	2002-03	2003-04	2004-05	2005-06 (P)
No.of Mills	670	693	1062	1860	1875	1787	1789	1780
Spinning	379	415	777	1579	1599	1564	1566	1570
Composite	291	278	285	281	276	223	223	210
Spindles(mm)	18.11	21.23	26.67	38.33	39.03	37.03	37.47	37.51
Rotors(000)	-	5	66.92	480	468	482	500	520
Looms(000) (organised sector)	207.8	207.9	177.8	141	137	105	103	92

Source: Compiled from Compendium of Textile Statistics 2005

The number of spinning mills has increased manifold in last three decades and present capacity is close to 34.24 million spindles. The number of spinning mills has increased from 379 in the year 1971 to 777 in the year 1991 and to 1570 in the year 2005-06 showing a remarkable increase in terms of number of spinning mills. The number of composite mills has reduced from 291 to 210 during 1971-2006. The number of spindles has increased from 18.11 million (1971) to 26.67(1991) to 37.51(2005-06), which is almost 100 percent increase in the spinning capacity. On the other side, the number of composite mills has reduced from 291 to 210 during the period 1971 to 2006. Number of looms in the organised sector has reduced from 207800 to 92000 in last two decades showing a reduction in weaving capacity. It can be interpreted that more of these spinning mills have come and the textile trade has become more concentrated on spinning and has less emphasis on value addition, which is weaving, in last few years.[40]

Indian Textile Industry contributes 14 percent to industrial production, four percent to the GDP and 17 percent to the country's export earnings. It provides straight employment to 35 million people, which includes an extensive

number of SC/ST and women. The garment industry alone provides employment to more than 4 million workers and supports the people working in ancillary units. It is the succeeding largest provider of employment after cultivation. It contributes 12 per cent to the world production of textile fibres and yarns (including jute). India is the largest producer of jute, second largest producer of silk and cellulose fibre/ yarn, third largest producer of cotton and fifth largest producer of synthetic fibres / yarns. Thus, the growth and all round development of this industry have an undeviating pressure on the improvement of the economy of the country. Besides, there are a hefty number of contributory industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes and chemicals.[41]

The textile manufacturing chain begins with spinning and continues till the grey fabric is ready. Raw materials form the major chunk of cost (50%) in the first stage. Spinning sector boosted in the early 1990s by pitch in exports. This period also noticed entry of many new players in to the industry. The spinning sector is superior in terms of machinery compared to the over all textile industry. Due to a number of troupes present, spinning in India is witnessing a grave domestic over capacity situation and is under price pressure.

India has the second largest installed capacity of spindles in the world next to China at 37.51 million in 2005-06. The population of rotors is relatively low, but has grown rapidly in the last decade from 1, 39000 to 5,20000 in 2005-06.There are 1780 textile mills in 2005-06, of which 1570 are spinning mills and 210 are composite mills.[42]

Over the years, production of cloth in the organised mill sector has been stagnant. It has declined from 1714 million square meteres in 1999-2000 to 1434 million square meteres in 2003-04. However, since then, it is screening a constant increasing trend by 1526 million square meteres in 2004-05, 1656 million square meteres in 2005-06 and 1900 million square meters as projected

for 2006-07. Composite Mills are facing ruthless competition from the power loom sector in weaving, which caused the reduction in the number of mills.[43]

The two ends of the textile chain, spinning and the garment sector have made headway through cost cutting, capacity expansion and technology up gradation. The weaving and processing sectors have not kept swiftness and these sectors are considered as the weak links in the integrated structure of the Textile Industry. The dominance of unorganised players has hindered the flow of investments in these segments. The share of shuttle less looms in India is only two percent against 30 percent at the global level. This has deprived garment producers of quality fabric. A conscious drive has been initiated to upgrade with high-tech processing machinery, strengthening the testing infrastructure by setting up new laboratories, developing natural and vegetable dyes for commercial scale applications providing support for eco- friendly processing. This would help in improving the garment quality, contributing to value addition and higher unit value realisation in exports and hence a larger market share.

Garments are a dynamic business driven by rapidly changing fashion. A garment producer would also have to be deft at catering to the demands of customers – more so in the case of exports. Another avenue that has opened up for those who in the fabric and garment business is the home textile and made ups market. Apparel, home textiles including upholstery, furnishings, bed linen, bath linen, table linen, kitchen linen, technical and performance textiles and the like give different levels of value addition. Technical textile is an untapped area where tremendous opportunities are available in the global market for value addition.

Handloom Sector

Indian Handlooms represent the rich and diverse cultural heritage of the country and is the largest handloom industry in the world. The economic importance lies in their high employment potential, low capital investment, high

value addition and potential for export/ foreign exchange earnings. The handlooms provide employment to more than 6.5 million persons, second largest after the agriculture. The production of cloth by the handloom sector during 2004- 05 was 5722 million square meteres which constitute 13 percent of the total cloth production and in 2005-06 the production increased to 6,188 million square meters (16%). The total household looms are 32, 88,556 in number and non house hold looms are 1, 98,590 in number.[44]

The Government launched "Handloom Mark" on June 28, 2006 for the brand promotion of hand loom products. Under the Integrated Handloom Cluster Development Scheme, in the first phase, 20 handloom clusters have been set up at an estimated cost of Rs 40 crores. In 2006-07, 100 additional clusters have been taken up for the development. The government proposes to develop an additional 100-150 handloom cluster during 2007-08. The exports of hand loom are product and region centric. The hand loom products in cotton fabrics and made ups account for 80 percent of our exports.[45]

Power loom Sector

The decentralised power loom sector plays a pivotal role in meeting the clothing needs of the country. The power loom industry produces a wide variety of cloth, both grey as well as processed. In 2006, it contributed 62 percent of the total cloth produced in the country to the tune of 30,254Square meteres and provided employment to about 4.88 million persons, which is 60 percent of the total employment in textiles sector. There are 19.23 lakh power looms in the country, distributed over 4.30 lakh units. The major power loom clusters are Erode, Salem, Madurai, Ichalkarnji, Solapur, Bhiwandi, Malegaon, Burhanpur, Bhiwara, Kishangarh, Ludhiana, and Amritsar.[46]

The unorganized power loom and handloom sectors account for around 95 percent of weaving in India. This sector has taken advantage of low wage cost, tax and fiscal benefits; however, the technology amalgamation in the sector

is very low. The total production of cloth by all sectors has registered a growth of 9.25 percent during 2005-06. The sector wise production of mill, handlooms, power looms and hosiery has increased by 8.52 percent, 6.75 percent, 8.12 percent and 14.33 percent respectively. The total production of cloth was 49577 million square meteres compared to 45378 million square meteres in 2004-05.[47]

Wool and Woolen Textiles Industry

The Woolen textiles industry is employment oriented, providing employment to 27 lakh workers in a wide spectrum of activities. The country is the seventh largest producer of wool, contributing 1.8 percent to total world production. The production of indigenous raw wool is 44.60 million Kilo gram in 2004-05 and 45.30 million Kilo gram in 2005-06. Since our domestic produce is inadequate, the industry is dependent on imported raw material. Wool is the only natural fiber in which the country is deficient. There are 718 woolen units in the country, the majority of which are in the small sector. The government is implementing the Integrated Wool Improvement Programme (IWIP) for the growth and development of the wool and woolen industry in the country.[48]

Sericulture and Silk Textile Industry

Sericulture is an agro- based industry and is suitable for countries like India, which have a large agriculture base.. Sericulture activities are generally environment – friendly. India is endowed with all four varieties of silk like, Mulberry, Eri, Tusar, and Muga. Globally, India is the second largest producer of silk and contributes 18 percent of the total raw silk production. During 2005-06, the production of raw silk was 17,305 Million Tonnes against a demand of around 26000 million Tonnes. This sector employs 6 million people mainly in rural areas. This sector accounted for the export of Rs.3158.16 crores in 2005-06, and the export basket consists of Natural Silk Yarn Fabrics, Made-Ups, Ready made Garments, Silk carpets, and silk waste. The total silk production during 2004-05 was 16,500 Million Tonnes and exports were Rs. 2,879.56

crores. The Government has launched the Silk Mark Scheme for the brand promotion of silk and the Central Silk Board (Amendment) Act 2006 for regulating the quality of silk worm seeds.[49]

On the rebound, the Textile Industry in India has seen significant investments across the supply chain from 1999 onwards. This facilitated India to strengthen its position as a preferred supply base for a versatile mix of cotton and blended fabrics. The Indian textile industry not only grows its own raw-materials like Cotton, jute, silk and wool, but also processes the same into high value products like fabrics and garments.

Existence of a large number of players in each of the sectors, none of whom is large enough to inspire demand, has led to a situation where in the industry as a whole cannot compete efficiently or contradict the onslaught from other countries, in the international markets. In addition, the industry is transient through a rough pace on account of unabated boom in the cost of raw materials and power, sluggish market conditions, both at home and abroad sagging export performance ever since the South East Asian currency commotion and rising imports of textile products.

Export Promotion Agencies in Textiles and Clothing Sector

Exports enable countries to achieve export-led growth and help mitigate the effects of domestic recession. A country may need to boost its exports to earn enough foreign exchange to finance its imports and service its foreign debt. Even in the case of countries with trade surplus, export promotion may be required to maintain its position against the international competition and level of domestic economic activity. Government of India, like almost all other nations, has been endeavoring to enlarge exports. To achieve the goals, the Government of India constituted diverse agencies and the export of textiles and clothing were entrusted to The Ministry of Textiles.

The Ministry of Textiles is responsible for policy formulations, regulations, development and export promotion in respect of the textile sector including cotton, wool, silk, jute, and other fibers and handicrafts. Towards this objective, the ministry lays down the guidelines for a planned and harmonious growth of various sectors of the industry. Special emphasis is given to the development of handlooms in view of its large employment potential. The ministry monitors the techno- economic status of the industry and provides the required policy framework for modernisation and rehabilitation. The ministry co ordinates the activities of Textile Research Associations and lends financial support to them for undertaking research and development.

The principal functions of the ministry consist of formulation of Textile policy, co- ordination of the various sectors like man made fiber, cotton textile Industry, jute, silk, wool and woolen industry and power loom industry. Besides, it also assists in export promotion, planning and economic analysis, integrated finance matters, and computerisation.

Handlooms Export Corporation, National Handlooms Development Corporation, Handlooms Export Promotion Council and All India Handloom Board, are the agencies formulated by the Central Government to boost the handloom sector.

Textiles Committee, Apparel Export Promotion Council, Cotton Textile Export Promotion Council, Synthetic and Rayon Textile Export Promotion Council, Indian Silk Export Promotion Council, Wool and Woolen Export Promotion Council, Power loom Development and Export Promotion Council, Central Silk Board , All India Power loom Board, Central Wool Development Board, National Institute of Fashion Technology,(NIFT) and the various Textile Research Associations are the diverse associate agencies functioning for the development of Textile and Clothing Industry under the auspices of Ministry of Textiles.

The Central Cottage Industries Corporation of India Ltd. (CCIC) is mainly engaged in the marketing of quality hand loom and handicrafts and in developing their markets in India and abroad. It is expected that CCIC will achieve a record turn over and profit of Rs.110 crores and Rs. 10.25 crores respectively during 2006-07.

The National Institute of Fashion Technology (NIFT) was set up by the Ministry of Textiles, in 1986 as an autonomous society in collaboration with the Fashion Institute of Technology (FIT) to prepare and train professionals to meet the challenges of the dynamic global market in promoting India's exports in textiles, garments, life style products and other fashion goods. The institute has pioneered the evolution of fashion business education across the country through its network of seven centers at New Delhi, Bangalore, Chennai, Gandhi Nagar, Hyderabad, Calcutta and Mumbai. A new extension centre of NIFT will set up in Rae Bareli and Kannur from the academic session 2007 – 08. NIFT is the first institute in the world to award degree in fashion education. [50]

Major Policy Incentives for the Textile Industry

Technology Up gradation Fund Scheme (TUFS)

The Indian Textile Industry has suffered from severe technology obsolescence and lack of economies of scale, and structural anomalies which, in turn, had diluted its productivity, quality and cost effectiveness, despite distinctive advantages in raw material, knowledge base and skilled human resources. In order to sustain and improve its competitiveness and over all long-term viability, Industry should accord access to timely and adequate capital at internationally comparable rates of interest in order to upgrade the level of technology.

The Ministry of Textiles has launched a Technology Up gradation Fund Scheme (TUFS) for textile and jute industries with effect from 1- 04- 1999 for a

period of five years, which was subsequently extended up to 31-03- 2007, and further extended to 2012 in the 2007-08 budget.

The scheme highlights the following

It aims to provide funds for technology up gradation of existing units and setting up of new units.

- Interest incentive (5%) on the term loans, reimbursement of exchange rate fluctuation (Up to 5%) on foreign currency loans, 15 per cent credit linked capital subsidy for SSI sector or a capital subsidy (20%) on the small-scale power loom units up to a cost of Rs. 60 lakhs are provided.
- Five percent interest reimbursement plus 10 percent capital subsidy for specified processing machinery.
- Original outlay was Rs. 25000 crores, and additional funds of Rs. 249.00 crores in 2004-05, Rs. 485.00 crores in 2005-06 and Rs. 535 crores in 2006-07, Rs 911 crore for 2007-08 were allocated in the respective Budgets.

A credit linked capital subsidy scheme at 10 percent interest under TUF's over and above the existing five percent interest reimbursement was introduced from April 20th 2005. The government has extended the TUFS benefits to the handlooms, which were previously not covered under the scheme. [51]

Scheme for Integrated Textiles Parks (SITP)

To revitalise the textile industry's competitive efficiency and infrastructure and up date the technology in tune with international standards, the government extended support to the sector for technology up gradation and conception of world class infrastructure which includes Technology Up gradation Fund and Integrated Textile Parks. The Government has launched the proposal for Integrated Textiles Parks (SITP) in august 2005, to reinforce infrastructural amenities in budding growth areas by integrating the existing two

schemes that are Apparel Parks for Exports Scheme (APES) and Textile Centre Infrastructure Development Scheme (TCIDS). The government would provide 40 percent of the cost of infrastructure as grant and subsidy, up to a maximum of Rs.40 crores.

Under the scheme, 26 Integrated Textile Parks/Projects have been agreed with an estimated project cost of Rs 2411.2 crore, of which Government of India's assistance would be Rs 862.55 crore. The estimated investment in these parks would be Rs 13445 crore and estimated annual production would be Rs 19200 crore. Estimated employment generation would be more than five lakhs. The projects are expected to be completed by March 2008. The budgetary allocation of the scheme enhanced from Rs 189 crore in 2006-07 – Rs 425 crore in 2007-08. Fifty Integrated Textile Parks are envisaged to be set up during the 11th plan period. The disbursement of parks among various states are, Gujarat (6), Andhra Pradesh (4), Maharashtra (6), Tamil Nadu (5), Rajasthan (2) and one each in Karnataka, Uttar Pradesh and West Bengal.[52]

Technology Mission on Cotton (TMC)

In order to improve the quality of cotton in the country by bringing the entire gamut of research and development, marketing and processing of cotton under one umbrella through a mission approach, government of India has launched Rs. 600 crore-technology mission on cotton in February 2000. The Mission consists of four Mini Missions with specific objectives of research, dissemination of technology to farmers' improvement in marketing infrastructure and modernising of ginning and pressing factories

Textile Worker's Rehabilitation Fund Scheme

To give economic relief to the workers, who became jobless due to the permanent closure of textile mills, the government had created the Textile Workers Rehabilitation Fund Scheme in pursuance of the textile policy of June 1985. Under this scheme, the workers earning wage equivalent up to Rs.2500

per month or less in respect of the eligible textile mills closed before 1- 04–1993 will be eligible for the benefit of the scheme. Those workers whose wage is equivalent up to Rs. 3,500 per month or less in respect of eligible textile units which are closed on or after 1- 4- 1993 will also be eligible for the benefit of the scheme. Until 31-10-2005, Rs.178.11 crores was disbursed to 78,006 workers.[53]

Consistent with the governments' on going process of liberalization of economy and globalisation of trade, the import duty structure of the country, customs duty and excise duty has also undergone significant changes in the recent years to give a fillip to export promotion... In the 2007- 08 budget, the government granted exemptions and concessions to promote exports.

The registered exporters having a record of export performance over a number of years are granted the status of export houses/ trading houses/ star trading houses/ super star trading houses subject to the fulfillment of minimum average annual export performance in terms of FOB value or net foreign exchange earnings on physical exports prescribed in the EXIM policy. Exporters under the above classes are eligible to get some additional benefit under the EXIM policy. Recognised export houses were given assistance from MDA for approved export promotion activities. This includes participation in fairs and exhibitions abroad, sending sales teams abroad and the opening of foreign offices and warehouses. As incentives, Export Houses, Trading Houses, Star Trading Houses are entitled to special import licenses that can be used to import 18 items that are in the Negative List for imports.

Under the Exim policy 1997-2002 certain transactions in which the goods supplied do not leave the country and payment of such goods are made in India by the recipient of the goods have been treated as deemed exports. Such deemed exports are eligible for Special Imprest License /Advance Intermediate License, Deemed Exports Drawback Scheme, Refund of terminal excise duty, Special Import License at the rate of 6% of value (including all taxes and levies).

In accordance with EXIM Policy, the manufacturers/ processors who have acquired the quality status of ISO 9000 (series) or ISO 14000 (Series) or HACCP Certification or WHO-GMP Certification have been made eligible for the grant of Special Import Licenses(SIL) at the rate of 5% of the FOB value of export of goods and services with the aforesaid Quality Certification.

Export Promotion Capital Goods Scheme, The Duty Exemption Scheme, Duty Entitlement Pass Book and EPZ scheme are the other schemes piloted by the government for the promotion of exports. Market Development Assistance (MDA) was provided for market research, product promotion, export publicity and participation in trade fairs and exhibitions.

Export Credit Guarantee Corporation of India Ltd. (ECGC), an export promotion organisation was established to protect exporters from the consequences of the payment risks, both political and commercial, and to enable them to expand their overseas business with out fear of loss. The mission of ECGC is to provide cost effective credit insurance and trade related services to meet the needs of Indian export industry.

Compared to export promotion in other developing countries around the world, especially Asia, India seems to have tried almost all promotional strategies. But the export figures do not appear to be commensurate with the extent of the incentives. This could be attributed to the poor implementation of the schemes rather than inadequacies. The impact of export promotion strategy has to a large extent been blunted by the intricate bureaucracy and the complicated institutional framework. The need of the hour is to implement the existing strategies vigorously, while searching for alternate and innovative measures in export promotion to make up for time lost towards regaining the position India held in international trade in the beginning of this century.

The Textile and Clothing industry faced virtual disintegration in the last fifty years due to distorted government policies. This industry is a classic case of

lack of vision, fuzzy policies and missed opportunities. The planners never thought of the country as a whole while framing policies to create an internationally competitive industrial economy. Instead they set up a structure of industry that needs permanent props and subsidies. The organized sector therefore drifted away from weaving and processing. So the quality of fabric went down and was not comparable to world standards. Due to lack of interest in large industry, resources were not allocated to research and development. This created a widening gap in the soft knowledge in these sectors of production in our country, while other countries like China, Korea and Thailand kept on consolidating with pursuit of right policies. The government does not give special preference to any individual sector or discriminate against it in the fiscal policies which are globally not competitive. The approach was limited to Indian market first and last. The awareness of export market started growing only after the globalisation wave. All stakeholders of this industry should develop a long term goal; find ways of sectoral integration and developing competitive edge to exploit the unexplored potentials of this industry.

The process of economic liberalisation has thrown open immense vistas of growth for the Indian textile industry and presently the industry become globally competitive both in terms of price and quality. Thus, looking at the global demand size, the potential of Indian textile and clothing industry is huge. India is having a cutting edge over fabrics and garment making, due to cheap labour, and skilled technicians, over other countries in the world.[54]

Textiles and Clothing Exports under the Free Trade Regime

There was a great deal of apprehension and hope in the industry circles with regard to the effect of the end of the quota regime and integration of Textile and clothing in to the WTO fold by January 1, 2005. It was felt that in the post MFA period India may not be able to sustain our level of exports. These hesitations have been proved wrong by our exporters, who are doing quite well

in the US and the EU. The increased competition for grabbing market access among the supplying countries, forced importing countries to resort to various measures such as tariff, non tariff barriers, anti dumping and anti subsidy proceedings, environmental and social concerns. To restrict the flow of imports from traditional suppliers like China, India, Pakistan, Bangladesh, Vietnam etc, the developed countries entered into PTAs, RTBs and enlargement of EU. In spite of these measures, India will attain its hold on the market share in the developed countries, for India has an earmarked market share, set for its products in these countries. Another advantage India enjoys in the world market is the existence of large scale, small and medium enterprises, which are more flexible and which could adjust their production in harmony with market demands.

Removal of quotas has resulted in a paradigm shift in the way international trade in Textile and Clothing products is conducted. The impact has been positive on countries and units that have core competencies in the sector and negative on countries and units that have been growing in the past on the strength of quotas –either on them or on others. With the lifting of quota restriction, exports of textiles and clothing from India have grown by 27 per cent to USA and 20 per cent to EU. There has however been a decline in prices in the post WTO era due to flood of textiles and clothing by Asian countries in the West. Encouraged by this tremendous performance, the Ministry of textiles has revised the export target of textiles and clothing to $ 85 billion as against $ 50 billion fixed earlier, to be achieved by the year 2010. [55]

Table No. 4.9

Exports of Textiles (Value in US$ million)

Item	2003-04	2004-05	2005-06	April-August	
				2005-06	2006-07 (P)
Ready made Garment	5,786.37	6,024.39	7,752.44	3,085.34	3,461.88
Cotton Textiles	3,599.95	3,544.16	4,493.20	1,650.53	2,071.09
Wool and Woolen Textiles	337.98	417.09	473.91	197.42	204.89
Man made Textiles	1,821.24	2,050.73	2,000.08	777.20	907.83
Silk	545.21	594.56	691.83	279.06	292.75
Handicrafts	1,085.36	1,013.85	1,239.26	524.11	501.46
Coir and Coir Manufacture	77.77	105.56	134.25	53.99	59.44
Jute Goods	242.43	276.25	294.60	127.33	128.79
Total	13,496.31	14,026.72	17,079.57	6,694.97	7,628.13

Source: Government of India, Economic Survey 2006-07

The table No. 4.8 reveals that, the textile exports from the country posted a 21.8 percent increase in 2005-06 to touch $ 17.08 billion, The growth of textile exports in 2004-05 when it touched $ 14.03 billions was only 3.9 percent compared to the previous year. Thus there had been significant acceleration in export growth during 2005-06, a reflection of the increased opportunities thrown up by the dismantling of quota regime in world textile trade since January 2005.The surge in exports for the first quarter of 2006-07 is also showing a promising trend (57%).[56] In 2006-07, the Textile and Clothing export touched $19.62 billion.[57]

On the other hand, the textile import had posted a higher growth of 11.4 percent in 2004- 05, as against 3.9 percent in 2005-06. The growth in imports by the sector was lower at 19.1 percent and was placed at $ 2.7 billion. Thus imports by the sector were only 16 percent of the export, the net foreign exchange earnings being $14.38 billion in 2005- 06.[58]

The Yarns and Fibers Fourth Consecutive Survey on Business Confidence of Indian Textile Companies reveals mixed experience in the first year of quota removal. The result of the survey revealed that 37 per cent did not experience any change in their business during the year, 10 per cent felt that they had worse experience and these 47 per cent are of the opinion that they did not benefit from the opening of trade from 1st January 2005.The remaining 53 per cent had a good experience in the first year of quota free trade. These companies experienced trickling up of orders, fuller capacity utilization at the risk of some price-cutting. 75 per cent of the respondents were of the view that the performance of the Textile and Clothing Industry would be bright in the future, 25 per cent expect a static trend in trade, and none of the respondents predicted a worsening of situation.[59]

The appreciating rupee was making the country's exports uncompetitive. The value of rupee rose to Rs. 42.65 to a dollar as on April 9, 2007, compared to Rs. 46.51 in August 2006 to the tune of 9 percent. The sharp appreciation in the rupee in relation to dollar witnessed a slow down in textile and clothing exports from India. The situation has become more unwholesome, as the currencies of some of the major competitors in the US market depreciated against US$ during the same period. Pakistan Rupee, Turkish Lira, Indonesia Rupiah and Honk Kong dollar depreciated against US$ by about 1.3 percent, 0.72 percent, 2.3 percent and 0.72 percent respectively. Chinese Yuan has appreciated by 3.42 percent, however with considerable cost advantage in volume business, low input and labour cost, China is some what unaffected by the situation despite the US curbs on imports from China.[60]

In the financial year 2006-07, the textile exporters felt a drop of 9 percent in exports to the US and EU due to the appreciation of Indian currency. Buyers from the west are likely to shift to low cost textile hubs like Vietnam, Thailand, Malaysia, Bangladesh and Pakistan. The US customs data revealed that Import of textile and apparel items from India dipped 35 percent from $486 million in

January 2006 to $472 million in January 2007. The dip in exports diminished the unit value realisation with the exports of textile products to the US declined by over 3 percent in Dollar terms during January 2007 as compared to the corresponding month a year ago. This follows a very strong growth for about two years after the abolition of quotas and this is the first time in several decades that the US imports of textile products from India has shown a negative growth. During the calendar year 2006 India's exports of textiles and clothing to the US stood at $ 5031 million compared to $ 4617 million in 2005.[61]

The Indian Textile and Clothing exports slumped by 36 percent (17 percent in Value terms) during the first three months of 2007-08 as compared to the same period last year. Textile exporters were being further burdened by high production costs caused by high interest costs, pressure on prices and growing costs of inputs. While larger players are in a position to off set the impact of the rising rupee on their exports through cheaper imports, SME's suffer on this account as almost all of them source local inputs.

The Textile Ministry is pushing for more relief to exporters reeling under the impact of the rising rupee. The relief measures include enhancement of the Duty Entitlement Passbook and Duty Drawback rates by 5 percent for the 9 sectors including textiles, 2 percent increase in interest subsidy for pre- shipment credit for 180 days and to post- shipment credit for 90 days and decided to settle the past export benefit reimbursement claims swiftly. The government also proposed a scheme by which the commercial banks compulsorily reserved a portion of concessional bank credit to small and medium exporters.[62]

To stay competitive in the international market due to hardening rupee dollar equation, besides imports from neighboring countries, denominating a significant portion of the total export contracts in euro or other currencies and covering the US dollar in the forward market, trimming production costs on a

war front and stepping up productivity, and ramping up exposure in the domestic market to hedge business risks.[63]

Thus the elimination of quota will have a massive global impact including the emergence of new manufacturers and low cost production areas, the slashing of margins among existing producers, tumbling prices and importers driving decisions.

Emerging Trends and Challenges in the Export Front

The Indian Textile Industry has a long record of accomplishment of exporting to international markets. Given these favourable factors and concerted efforts of trade, industry and the government, we can take textile exports from India on a higher trajectory of export growth. However, the bottom line of success in the post quota regime would be quality, prices, marketing skills, adherence to delivery schedules and work place norms being insisted upon by the buyers.

The growth of the textile industry is now at 9 – 10 percent per annum and it is likely to rise to 16 percent in the coming years. Textile exports are likely to grow 22 percent to reach $ 55 billion by the end of the 11th plan period.[64]

Table No. 4.10

Share of Exports of Textile and Clothing in total exports

Year	Exports of all Commodities (US$ Million)	Exports of Textiles And Clothing (US$ Millions)	Percentage Share of Textile and Clothing in total exports
1994-95	26330.0	7548.4	28.7
1995-96	31797.0	8526.9	26.8
1996-97	33630.7	9555.0	28.5
1997-98	34832.8	9797.5	28.0
1998-99	33210.97	9546.48	28.7
1999-00	36759.52	10521.28	28.6
2000-01	44147.44	12014.44	27.2
2001-02	43976.01	10801.04	24.6
2002-03	52867.24	12444.94	23.5
2003-04	63843.00	13496.31	21.1
2004-05	83536.00	14026.72	16.8
2005-06	103091.00	17079.57	16.6

Source: Compiled from Compendium of Textile Statistics-various issues and Economic Survey 2006-07.

Textile exports have emerged as the largest net foreign exchange earner for the country, contributing around 17 percent of India's total export earnings. The textile exports have grown at an annualised growth rate of 8.52 percent during the last 5 years. Textile and Clothing consist of 16.6 percent of total exports of India. The share of Textile and Clothing in total export was 28.7 percent in the year 1994-95 and has always contributed significantly in Indian exports. In 1994-95 the export of all commodities from India was US$ 26330 million which has increased to US$ 103091 million in 2005- 06.[65]

The Textile Industry is witnessing unprecedented changes with emphasis on new technology. These changes must be both quantitative and qualitative in nature, which calls for increased partnership between public and private

enterprise, sharing of international experiences, promoting FDI in textiles sector and going up in the value chain. Elimination of quotas, progressive liberalization of market access by way of gradual reduction of import tariff and removal of Quantitative Restrictions on imports have led to intense competition both in domestic and international markets. All these developments are bound to have some effects on the Textile and Clothing industry of Asian countries. Indian Textile Industry will play a key role in the major markets of the world and will remain as an important segment of the economies of some of the Asian countries for several contributing factors.

Competition to India in the textile sector include from China, Bangladesh, Indonesia, Sri Lanka, and Pakistan. Like India, these countries too are cost effective producers due to the advantage of lower labour costs which account for a significant portion of the cost of converting fabrics into garments.

Table No. 4.11

Cost Comparisons of Various Countries

(Percent of Total cost)

Input costs	Brazil	China	India	Italy	Korea	Turkey	USA
Packing	1%	1%	1%	0%	1%	1%	0%
Labour	5%	4%	6%	30%	20%	7%	25%
Power	6%	14%	15%	28%	10%	12%	27%
Auxiliary	13%	12%	14%	7%	14%	10%	7%
Capital	49%	49%	36%	21%	33%	37%	23%
Raw material	26%	20%	28%	14%	22%	33%	18%
Total	100%	100%	100%	100%	100%	100%	100%
Index	52	48	48	100	52	60	87

Source: Facts For You –November, 2005.

From Table No. 4.9, we can comprehend that the biggest advantage that India has over western countries is labour, while when one compares it with China, the biggest advantage we have is the capital cost. From the last row of the

table it is evident that the total production cost of Indian textile product is 56 percent of that of Italy, and around 64 percent of that of USA.[66]

Global competitiveness of Indian Textile Industry would not be complete with out reference to China's leading Textile Industry and its progress. The exports of China have increased from 4.6 percent to 17.2 percent during 1980 – 2004. In 2004, exports of $ 97.4 billion gave China a 20 per cent share in the world market. China's export reached a new peak of US$115.51 million in 2005 which accounted for 24.07 percent of global trade. [67]

Indian Textile and Clothing Industry is one of the few in the world that is truly vertically integrated from raw material to finished products, covering fiber production, spinning, knitting, weaving, and apparel manufacture. The country is also self sufficient in cotton. It has a strong raw material base of varied yarns and wide range of products, apparels and home textiles. Further, India has the ability to service high value niche orders with its readily available pool of designer resources. The world trade data showed that, clothing trade is growing faster than the textiles and hence, India must prepare for a higher growth rate in the garment sector. The current export growth rate in textiles, which comprise yarn, fabrics, and made ups is higher than that in clothing.

Under the WTO regime, the world is increasingly being parceled out in terms of Regional Arrangements and distorting global trade. India has also been pursuing bilateral pacts with countries in South Asia/ South East Asia with out much success. Because of the asymmetries in the Indian economy, India is unable to leverage the advantages of an RTA or the multilateral process. The special quotas and tax concession to countries in the Caribbean basin and sub Saharan countries, Regional Trade Agreements, FTA and differential treatment by the developed countries to the least developed countries will pose a major threat to the future prospects of Indian exports.

In the free trade regime to meet the challenges of the international market, the Indian textile and clothing industry will have to change from low budget markets to high value added market segments. This will require a substantial up gradation of the production technology and processing facilities, design capabilities, provision of infrastructural facilities, and marketing competence. The focal point should be on using cotton and allied yarn for value addition rather than selling them as raw materials as they are. The mantra for the clothing segment ought to be high value, high quality and high tech. To attain these goals, a better strategy would be to identify promising areas and then plan product specific measures to increase quality production for exports.

While Globalisation offers unlimited opportunities, it also is replete with threats from our competitors particularly the export – led economies to destabilise our export and local markets. The future of Indian Textile and Clothing Industry in the WTO regime will depend on how quick the industry attains the excellence in the entire supply chain. A new era has begun where the well-known biological principle of "Survival of the fittest" will apply more to the industry than ever before. The popular saying is that "When the going gets tough, only the tough gets going". It is apparent that India will boldly and smartly respond to the threats and challenges ahead by following appropriate policy measures.

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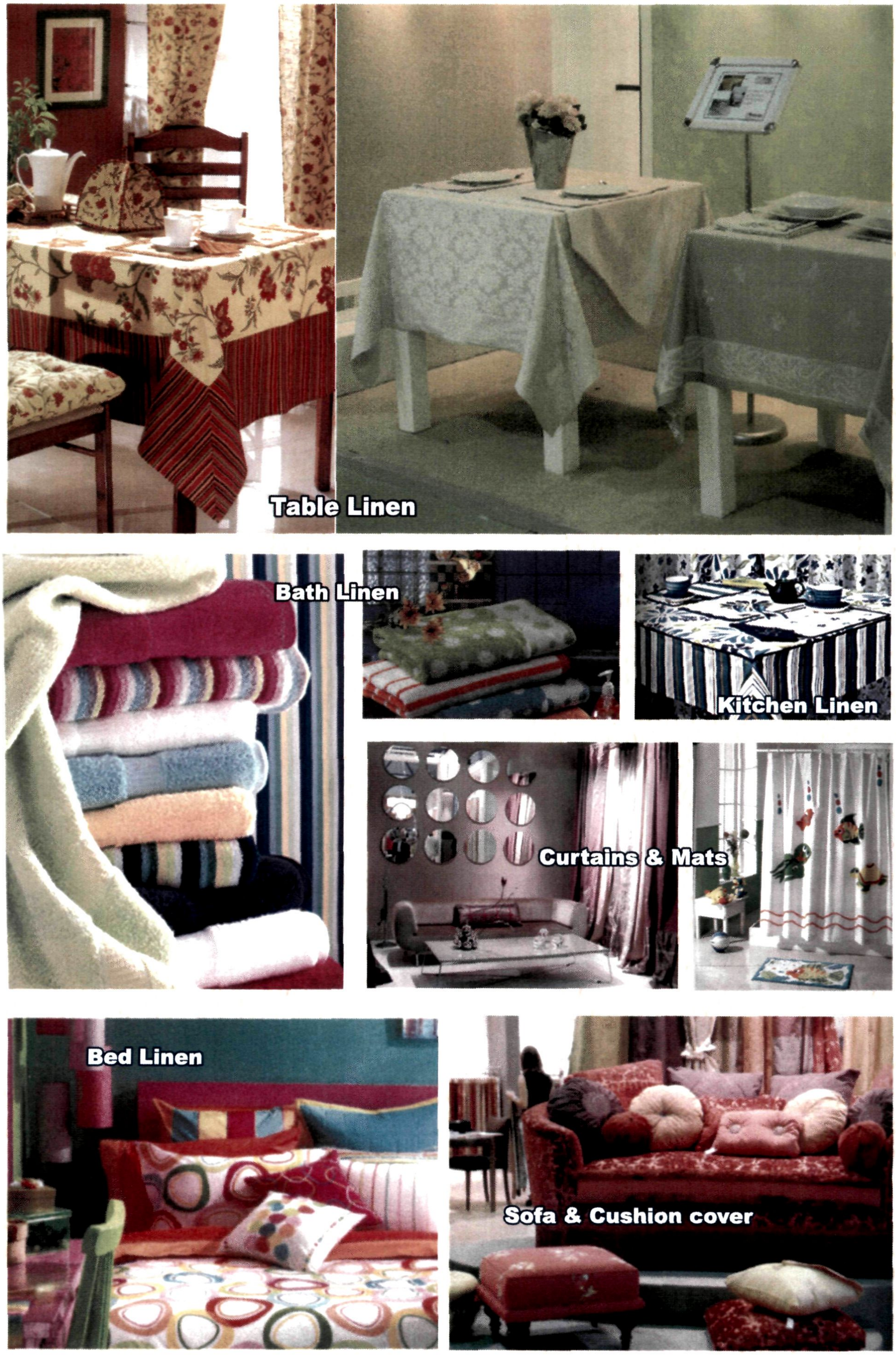
Table Linen
Bath Linen
Kitchen Linen
Curtains & Mats
Bed Linen
Sofa & Cushion cover

CHAPTER V

HOME FURNISHING TEXTILE SECTOR

HOME FURNISHING TEXTILE SECTOR

Introduction

The dawn of Post Quota Era created ripples of awe and fear among various countries and their respective industries, some enterprising sectors stood their ground. Silently, but strongly they climbed their way to success. Indian home textile industry is one of them. Some of the major markets that scored high points in giving maximum business were the US, Europe, Canada, Japan, and South Africa. The increased imports of Home Furnishing Textiles by the developed world can be attributed to the growing number of people intending to work from home, they are likely to spend on their homes than on clothing and secondly the local manufacturers are becoming price uncompetitive against Asian imports.

In the developing countries the per capita textile consumption is fabricated primarily of apparel and apparel fabrics. In India it is over 90 percent of the per capita consumption at 38 meters. On the other hand in the developed countries like United States home textiles occupy a higher share of the per capita textile consumption. 60 percent of the total per capita consumption of 450 meteres per annum is home textiles as against 30 percent apparel and 10 percent technical textiles. Today of the total global textile trade worth around $400 billion, about 55 percent is apparel, 20 percent home textiles, and the balance 25 percent comprises other textile products like yarns, greige goods, industrial fabrics, medical and other technical textiles. This also indicates that international trade in home textiles has been comparatively under developed and has an immense potential to grow.[1]

For home fashion, India and China are considered two promising destinations. Though China has a strong hold on quantities, it is weak in hand crafts and value additions. The international trends reflected that India has the option of moving up the value chain and becoming fully mechanized along with the advantage of hand crafts, quality and value addition. Indian exporters are focusing on marketing their products by setting up ware houses in their main export markets, or establishing a distribution centre, the trend is still restricted to big exporters. Another significant drift in the home textile industry was that with in India specialised hubs are gradually emerging, which make the supply chain basket more complete. While Bangalore is a major centre for Silk home textiles, Karur and Kannur are leaders in producing elegant products of home furnishing in cotton. Panipat, Delhi and adjoining areas are considered as some of the best options to source a diverse range of products. Ludhiana is developing as another focal point for home textiles in Knits and blends. [2]

With their own internal drive and to an extent with the help of government support, the Indian home textiles industry has achieved path breaking records. India today presents a huge opening for investors, entrepreneurs, professionals and marketers. The reform process which is in full swing, blooming domestic market with 400 million active consumers, investor pleasant foreign investment policies, vibrant stock markets and foreign brands on Indian shelves are clear pointers to the country's growth scenario. Abundant fiber availability, globally competitive production cost, vertically integrated and modern manufacturing facilities, comprehensive product range, ability to produce flexible volumes, high design and product development skills, ease of communication, and efficient management of quality and social compliances, make India a favourite source in destination for home textile products amongst

all categories of buyers. Demand for home textiles is surging as more and more people opt for good life styles trends at home.

Cotton has also created wonders where home textile range is concerned. Indian cotton made – ups and furnishings with their eclectic patterns, designs, and coordinated sets have captured global home textiles market. With its traditionally grand designs, its innovative spirit, world class technology and its ambitious drive to boost exports, India has been successful in creating a forte in the middle and high value segments of home textile markets across the globe. International retailers and manufacturers are ready to invest in India and the rate of FDI is merely escalating. Although one has to acknowledge the major gap, if India banks on all its strength coupled with strong government support, it can roll out some tough competition for China.

With the dawn of industrial revolution in the western world, textiles broke the boundaries of conventional usages. As these textiles were used in industry, they were aptly termed as 'industrial textiles'. Globalisation of science and technology has been propelled by three emerging technologies, biotechnology, micro electronics and material science. In the area of material science, products like micro fibers, optical fibers, high polymer plastics and resins, temperature resistant textile fibers, fiber reinforced composites etc are used in greater volumes as technical textiles.

With the growing dominance of technical textiles, Techtextil, Messe Frankfurt, GmpH has classified technical textiles into twelve groups from the application point of view. [3]

Table No. 5.1

Classification of Technical textiles as per Techtextil

Type of Application	Application area
Agro tech	Agriculture, horticulture and forestry
Build tech	Building and construction
Cloth tech	Technical components of shoes and clothes
Geo tech	Geo textile and civil engineering
Home tech	Component of furniture upholstery and floor covering
Indu tech	Filtration, cleaning and other industrial applications
Med tech	Hygiene and medical applications
Mobi tech	Automobiles, shipping, railways and aerospace
Oeko tech	Environment protection
Pack tech	Packaging
Pro tech	Personal and properly protection
Sportech	Sports and leisure

Source: 3Ts Journal of The Textile Committee, April –June 2004.

Home Furnishing Textiles

Mankind has been using textiles for clothing from the primitive age. As civilization progressed, its usage was later extended to house hold and domestic items. Since numerous products are made under home textiles with different fiber composition, textures, colours, finishes and designs suitable for different countries/needs/taste, it is difficult to define/categorise all products of home textiles under one umbrella. Home furnishing textiles also called Linens and Domestics, as well as Household textiles, have broad general usage both on the home front and in commercial and institutional use. They dry dishes and bodies and cover beds and tables. Wherever people furnish a living environment, one

finds home furnishings textiles-at home, in hotels, motels, hospitals, college dormitories and in a host of other places. [4]

Fabrics impart a sense of warmth, comfort, ease, softness and a sense of belonging to any nook in the house. Home textiles are the categories of products that furnish and decorate our homes. They differ radically from each other in their sizes, function and finish but a common stream that binds them together is that they describe how we live, eat, and sleep. A home is often considered an extension of ones self and reflect the personality, tastes, habits, and values of its inhabitants. For this reflection, it is very often the fabrics with in our homes that act as mirrors.

It is difficult to define or categorise all products of Home Furnishing Textiles under one umbrella. The major products may be categorised as:

- Bed Linen consist of Bed Covers, Bed Throws, Cushion Covers, Pillow; Pillowcases, Quilting Cloth, Quilts, Blanket, Blanket covers etc.
- Table Linen includes Table Covers, Place Mats, Table Mats, Napkins, Runners etc.
- Kitchen Linen comprises of Aprons, Gloves, Pot Holders, Lunch box covers etc.
- Other items include Floor Mats, Bath Mats, Bath Robes, Sofa Covers and Curtains.[5]

The major categories of home textile products are Linens and Domestic products. Towels, Shower Curtains, Bathroom ensemble, Table Linen/ Damask and Bedspread are categorised under Linens. Products such as sheets and pillowcases, Mattress pads, Blanket and Blanket covers, Comforters and quilts, embroidery and lace are known as domestic products. This sector needs to produce more varieties according to the preferences of the consumers abroad. All these items are also known as Made ups. Home Textile products are

identified with the help of Harmonized code system provided by US. Textiles and clothing refers to products covered by HS Section XI- HS Chapters 50 to 63. Textile made up articles belongs to HS Chapter 63. Floor covering carpets, Durries (57.02).Thick bed linen , Bed sheets, Towels and toweling, sheeting's , napkins, (63.02), Curtains (63.03), Furnishings, cotton bed spreads , hangings, Bed covers, house hold linens, (63.04), Tea pot covers(63.07).[6]

The conventional home textile industry is fast heading towards contemporarisation with an array of new products which are processed by innovative textile technologies. New approaches to textile finishing, developments in polymer chemistry for fiber materials and new materials such as phase change materials are gaining importance in the industry. An obvious trend is towards greater functionality for home textiles and mattresses. Technical requirements for home textile products are abrasion resistance, light fastness, resistance to seam slippage, appearance retention, resistance to pilling and snagging, stain repellency, flame retardancy, and water repellency.

The most common blend for home textiles are Polyester/ Cellulosic, Polyester/Acrylic, in the proportion of 50/50 or 67:33. However, other binary and many times tertiary blended yarns are also being used. Blends with more than 50 per cent fiber are termed as richer fabric of that fiber for example, cotton- rich, polyester- rich, etc. The dimensions of home textile products vary considerably, depending upon the buyer's requirement. However, some standardized sizes for export and for domestic market are available for Bed Linen, Mosquito bed nets, Blankets and shawls, Towels, Pillow covers etc.[7]

World Trade Scenario of Home Textiles

Developing economies are showing a positive growth in terms of an increase in disposable incomes, purchasing power and a retail boom fuelling thereby the aggregate demand for home textile products. Home textile is the industry of the future and along with the apparel sector would be the engine of

growth in the textile sector in the years to come. Global home textile trade is estimated at US$ 45 billion for 2006, out of which the cotton component has a share of over 50 percent. Amongst the products towels, draperies, bed and table linen, and cushion covers together account for a share of over 52 percent and almost 40 percent is contributed by China, Pakistan and India. The major Indian importers are Germany, U.K., US, UAE, France, Belgium, Italy, Holland, Japan, and Denmark.[8]

Consequently Asia has emerged as a manufacturing hub for home textiles. Manufacturing facilities for home furnishing articles are moving away from the developed countries to countries where the production costs are lower. A scrutiny of the world trade in home furnishings shows that while 62 percent of global imports are into the developed markets, only 34 percent of the exports originate from these countries. This shows the immense opportunities available to the developing countries including India to further increase their market share in world trade in home textiles.[9]

The exports of cotton made-ups from India have been increasing steadily during the last five years rising from US$ 1.11 billion in 2000-01 to US$ 2.39 billion by 2005-06, recording a compounded annual growth rate of 16.49 percent. The growth has been particularly phenomenal especially in the post quota period with made –ups recording a growth of 39 percent during the year 2005-06. This period has also witnessed positive growth in the erstwhile markets which are USA and EU. In the case of USA, imports of made ups from India increased by 14 percent in value terms, items like cotton sheets, and terry towels recording substantial growth. In the EU market, imports of the three erstwhile items under quota which are bed linen, terry towels and kitchen and toilet linen has shown an aggregate growth of 7 percent during the period January – May 2006.[10]

India already commands a respectable 12 percent share of American imports and about 11percent of EU imports that are indicators of the countries growing position in the major international markets. Home textiles sector will see big growth in future both internationally as well as in India. As a manufacturer and provider of complete home textile solutions, India is ideally positioned to the corner a large market share across all the product categories that it currently produces. This is just the beginning of an exiting phase for the home textile industry in the emerging global scenario.[11]

Home Textile Market of USA

With the closing down of local operations in the US, the domestic demand was met through enlarged imports and will tender bigger opportunities for suppliers based out side USA. Gaining entrance in USA, worlds most important and single largest home fashion market worth US$137 billion annually, is a dream of every ambitious exporter. India's performance in home textile products to the US has been very impressive and currently at least in three categories it has emerged as a top supplier in the US market. Pillowcase and cotton sheets exports to US have the growth of 206 per cent between the years 2001-03. It has the combined market share of 19 per cent during the year 2002-'03. India was holding a market allocation of around 19 per cent in Terry Towels category, which was incidentally the highest in the basket of all home textile items' imported in to the US during the year 2002-03. India is also well placed in the home textile basket of USA category including bags, napkins, table linen, cushion covers, pillow covers, curtains, shop and dishtowels, cotton bedspreads and quilts in which it was ranked second and third respectively in the US market. China was the top suppliers in these two categories during the year 2002-'03.[12]

Home furnishing represents a major market in the US with consumers spending over US$137 billion every year on home textiles, rugs, home décor and

lighting to house wares, table tops, major appliances and furniture. Furniture stores, which sell big ticket items such as living room suites and bedroom sets, represent the single largest channel of distribution with in the overall home furnishing markets, followed closely by mass merchants and speciality stores. Home textiles, excluding rugs, contribute about US$20 billion business in the American mass merchants and discount stores. Leaders in this category like Wal-mart, Target and K Mart clearly dominate retail sales of Home textiles, having around 45 percent share of this sales. Specialty stores like 'Bed, Bath and Beyond', Linen 'N' Things represent about 25 percent of the market, share of speciality retailers share amounts 16 percent, home improvement stores constitute 8 percent and the balance by others.[13]

Table No.5.2

USA Home Textile Market Key Categories

Categories	2004	2005	% Change
Sheets	2.44 bn	2.47 bn	+1.4%
Comforters(Non–Down)	1.47 bn	1.56 bn	+6%
Comforters(Down)	527 mn	512 mn	-3%
Bagged Bed Ensembeles	1.38bn	1.39 bn	+1%
Quilts	504 mn	502 mn	-0.4%
Bed spread	396 mn	396 mn	0%
Bed pillows	928 mn	984 mn	+6%
Mattress pads	544 mn	572 mn	+5%
Bath Towels	2.20 bn	2.23 bn	+1.
Shower Currtains	522 mn	517 mn	-1%
Bath Accessories	330 mn	330 mn	0%
Curtains and Draperies	2.91 bn	2.69 bn	-7.5%
Table Linens	619 mn	619 mn	0%
Kitchen Linen	517 mn	543 mn	+5%

Source: Home Fashion India, Vol.No-5, No.1, January- March , 2007.

From the table (No.5.2) it is evident that sheets and pillow cases is one of the largest categories with annual sales of nearly US$ 2.5 billion. Comforters continued to grow as a category. Down comforters account for smaller sales estimated at US$ 512 million because these products are more expensive. Another category is bagged bed ensembles which incorporates various bedding components including sheets and pillow cases, decorative bed coverings such as comforters, duvets or quills and accessories such as pillows and bed skirts. This concept was introduced in 1990's has succeeded because it is easy for the consumers, as they don't have time to spend on product co ordination decision. Bed spreads considered to be the all time fashion in America are still an alternative to top of the bed decorative statements and represent annual sales of US$ 396 million. Bed pillows account for US$ 948 million. Basic bedding components are major category with in the over all home textiles market.

In the bath segment bath towels are the largest category with more than US$ 2.2 billion in sales. Shower curtains are showing a downward trend because of the emerging trend of glass and closure showers and large spa like baths that don't require curtains.

Window treatments are another important segment contains curtains, draperies and accessories account for annual sales of US$2.7 billion is showing a dip in sales as consumers are leaning towards more contemporary hard window treatments such as blinds, shades and shutters.

Table linen including table cloth, place mats and runners represent US$61 million annual sales showing a stagnant position over the previous year. On the other hand kitchen textiles including dish towel, pot holders, and other accessories account for an increase of 5 percent. One of the largest categories with in the home furnishing industry is area and accent rug and its sales and figures are often listed separately and it amounts to US$ 4.57 billion in 2005.

For the past few years, Wal Mart has been the single largest retailer in US home textiles with annual sale of more than US$ 3.36 billion in Home textiles alone. In the US textile market the bath towel category is constantly proving to be a growing segment in home textiles. US imports of terry towels increased in volume in the first 5 months of 2006. Among the smaller suppliers, Mexico made the biggest improvement in quantities entering US ports up 195.36 percent.[14]

Of all the pie of world's home textiles and furnishing being consumed by the Americans, the US market for cotton bed sheets offers a clear view of the low cost revolution. Total US Imports of printed cotton bed sheets were up 88 percent in volume terms in 2005, the first year with out quotas, further rising 62 percent in January –August 2006. On the other hand, non printed cotton bed sheets imports more than doubled in volume terms in 2005 before modestly increasing 10 percent in the first 8 months of 2006.[15]

From lower levels, Turkey is taking advantage of its strength on the printed sheet market. Brazil similarly became the third supplier of printed sheets in volume terms, though it was far after Pakistan and China. According to official data domestic production of US cotton and man made fiber sheets fell 30 percent in 2005 before further sliding 38 percent in the first quarter of 2006, while imports were up 49.8 percent and 44 percent respectively. The domestic market rose 9.9 percent in 2005 and 9.5 percent in the first quarter 2006. The share of domestic production in the US market fell from73 percent in 2001 down to 31 percent in 2005 and 23.8 percent in the first quarter of 2006.[16]

The US remained a profitable market for India in the year 2006. The value of US home textile imports from India was Dollars 1.61 billion. India exported value added products and targeted the higher end markets. The value change for India was 10.32 percent which was less than 15.11 percent year on year. India's unit value increased to $1.30 from $1.25, 3.77 percent more than

2005. In the case of cotton bed linen, imports from the world have increased by 41.42 percent. India's exports increased by 25.15 percent in the bed linen category and growth in Terry Towel sector was magnificent as the imports increased by 47 percent, in turn India's market share also increased to 22.85 percent. India's export of home textiles to the US in 2006 amounts to US $828.86 million. The export basket consists of the items like Pillow cases, Sheets, Bed Spreads and Quills, Terry Towels and Cotton manufactured items.[17]

Home Textile Market of EU

While the US contributes to the major volume of exports from India, small quantities, decent margins and variety is the hall mark of EU. There is more scope for household and home furnishing textiles in EU in the near future. In the European market, which has been traditionally a market for grey fabrics and cotton yarn, India has improved its presence in the home textile segment too. India holds a strong position in natural, synthetic and blended varieties of home textiles. In the European market, during the period January to September 2006, Bed sheets, Pillow cases and Bed linen recorded a positive growth of 10.63 percent. But India lost its share in towels, Kitchen Table, Toilet linen and curtains in the EU market by 5.6, 6.91 and 7 percent respectively. In value terms the average unit price of India did not change and remained Euro 4.05.The total export of home textiles to EU market in 2006 valued Euro 454 .35 million in categories like Bed linen, Kitchen linen, Toilet linen, Curtains, Towels and Bed spreads. India's export of home fashion to Japan for products such as Towels, Kitchen linen, Curtains, Bed sheets etc. amounted to $17.23 million during the period January – August 2006, clocking a growth of 10 percent. [18]

Apart from the major US and EU markets , other promising markets for home textiles include Australia, Japan, South America, Chily, Poland and the West Asian countries which can be tapped by the Indian exporters. India should

capitalise on its niche in hand crafted Home Furnishings that have a huge demand globally.

India's Export performance of Home furnishing textiles

The emergence of India as a major player in the home textile business is just a decade old phenomenon. The home furnishing industry in India offers a splendid range of bed spreads, curtains, linen, place- mats, cushion covers, table covers, kitchen accessories, made-ups, bath linen, terry towels, and other home furnishings. A variety of floor coverings such as carpets, durries, druggets, rugs and namdhas are also immensely popular. Woven Cottons and Silks have ruled the industry since long. Synthetics like acrylics, Olefins and Nylons have also gained popularity over the years for making carpets and blankets. Knits are the recent fascination of the industry. Apart from offering the conventional home textile products, technical textiles and non woven also have become essential for the construction of many house hold textiles, furnishings, floor coverings, etc. including applications in fibre fill, carpet backing cloth, stuff toys, blinds, waddings for furniture and mattresses etc. Buyers of Indian home textile products are impressed with the product range that is customarily crafted in contemporary designs, colours and endowed with touch of human originality.

Rapid modernisation and changing preferences of consumers, exporters and buyers for higher quality of products has transfigured the Indian Home Textile Industry into the industry where now fashion and performance plays a crucial role. The fast changing dynamics of the industry has given rise to opportunity for high fashion and technical home textile products. India's export potential for home textile products is growing tremendously. Developed countries will outsource finished products from countries like India because the value addition in home textiles is comparatively much lesser which makes import of processed fabric for conversion to the nearest production centers unattractive and the proximity to the market place is relatively less important for

home textile. India's traditional rich culture has been accepted by most of the buyers in the international market. Some of the factors like quality, price and delivery can sustain the leading position. The strengths are mainly wonderful product designs and the widest range.

The 11 major centres for home textile products in India are Orissa, Himachal Pradesh, Haryana, Utter Pradesh, Assam, Maharashtra, West Bengal, Andhra Pradesh, Karnataka, Kerala and Tamilnadu. Almost all these states are producing bed sheets, except Orissa and Himachal Pradesh which are producing more furnishings and thick bed linens.

Until the late 1990's manufacturing of home textile was confined primarily to the small scale hand woven sector in cotton and silk. This sector is flourishing today with a lot of emphasis being placed on product development and enhancing competitiveness of the exporters. Handloom made up exporters was able to assess accurately international requirements and to adapt their products, or develop new products accordingly. A new range of made-up items has been produced in keeping with market requirements, displaying considerable ingenuity in fashioning new products out of traditional handloom cloth and in providing new finishes and treatments to evolve novel items. This trend installs optimism for the future prospects of handloom exports. The major success in cotton handloom exports in the last decade has been in the area of made up exports. The value of made up goods exported in 1979 -80 was Rs. 38.19 crores or 16 per cent of the total exports of cotton hand loom products, In 1981-'82 exports of cotton hand loom fabrics earned Rs. 117.60 crores (125 million sq. mts.) In 1984-'85, fabrics exports touched 158 million sq. mts. worth Rs. 147.54 crores, but there has been a steady decline since then and in 1989-'90 the earnings remained at Rs. 112.16 crores (68 million sq. mts) while made-ups earned 68 per cent of total exports.[19]

More than 80 per cent of these made-ups goods were exported to the USA and Western Europe. The remarkable increase in exports of made-ups items is mainly attributable to the phenomenal growth in export of floor coverings, from Rs. 6.33 crores in 1980-'81 to Rs. 104.61 crores in 1989-'90. In addition to floor coverings, bed and table linen, toweling and kitchen fabrics have performed fairly well. The merchant exporters developed a new range of handloom made-ups for household by the application of innovative finishes to hand loom cloth.

The distribution of handloom exports has altered drastically during the past decade. At the start of the 1980s, Africa with 28.5 per cent had the largest share of our exports. By 1990 this had declined to just 4.5 per cent. The share of Western Europe has increased marginally from 23.4 per cent to 27.3 per cent and that of Asia has decreased slightly from 23 per cent to 21 per cent. Oceania continues to import about six per cent of our cotton handloom goods. The major increase in handloom export was to the American continent, which increased its share from 12.9 per cent to 40.1 per cent. The geographical distribution pattern reflects the decline of exports of traditional items and the increasing importance of export of made-ups goods.[20]

Table No. 5.3

Export of Cotton Hand loom Fabrics/Made- Ups (Rs. Crores)

Year	Fabrics	Made ups	Total
1991- 92	187.22	501.61	688.83
1992- 93	272.98	760.29	1033.27
1993- 94	281.59	1015.89	1297.48
1994- 95	320.22	1180.60	1500.82
1995- 96	254.82	1235.96	1490.78

Source: Office of the Development Commissioner (Hand loom)

Table No. 5.3 shows the exports of cotton handloom fabrics and made-ups from 1991-92 to 1995-96. The total exports for the period increased from 688.83 crore to 1490.78 crore by a growth of 116 percent. Out of the total export, the export of made ups were increased by 146 percent, while it is only 36 percent in the case of fabrics. So it clearly indicates the growth of exports in handloom made ups articles. [21]

Handloom made-up articles are likely to continue to command good response in the international market. There is however no room for complacency. Trends in the household textiles market are as transitory and tyrannical as in the world of fashion fabrics. Consumers in sophisticated markets are becoming increasingly particular that their home furnishings and linen should confirm to prevalent colour/design, parameters. This means that large volumes of business will be generated in accordance with changing trends, but exporters must necessarily keep in close touch with the market and periodically update their range of products. Colour-coordinated household linen and furnishings must be marketed in the form of ready to use packages. The market for the handloom made up articles is likely to grow substantially provided quality, in terms of minimisation of fabric flaws, colourfastness and excellent finish is maintained.

Indian Textile Industry has the unique features of changing continuously to cater the needs of domestic and inter national markets and the ability to face the challenges in the business environment. Despite this, overall cotton textile export from India fell by 11 per cent from 269.1 million kgs. in 2000-'01 to 234.1 million kgs. in 2001-'02. In contrast, the home textile products in this period registered 2.45 per cent growth in export. It indicates that the market for Indian home textile product is high in international markets. Home textile sector is able to retain its position and aiming for higher growth now. India is emerging as the major source for a wide range of home textile products all over the world.

The culturally rich product range always has a human touch of originality and creativity.[22]

Exports of cotton made ups from India have been going up gradually increasing at an average of 16.5% per annum; they have gone up to dollars 2.39 billion in 2005-06 from dollars 1.11 billion in 2000-01. The growth has been particularly phenomenal especially in the post quota period with made –ups recording a growth of 39 percent during the year 2005-06.[23]

Table No. 5.4

Export of Made Ups

Year	Amount (in Rs. Crore)
2000-01	5255.11
2001-02	5236.70
2002-03	6144.56
2003-04	7467.71

Source: Compiled from Compendium of Textile Statistics 2004

Table No 5.4 shows that exports of made ups posted a positive growth from Rs. 5255.11 crore to Rs.7467.71 crore (30%) during the period 2000-01 to 2003-04.[24]

With an increased focus of the western world on India as a source and the rapidly growing domestic market, India's home textile sector is poised for an exciting growth. While exports are expected to reach US$10 billion by the year 2010 from US$3 billion in 2005, the domestic market is forecasted to grow at a healthy 20 percent per annum over the next decade. With an annual growth of over 12 percent, home textile sector is among the best performing sectors of Indian textiles.[25]

However, India still does not produce a large range of high performance producers like mass produced ornamental curtains, shower curtains, high performance mattresses, quilts, pillows, fully coordinated bed linens, modern machine made floor coverings. In order to preserve its competitive edge over China, Portugal, Brazil, and Turkey, India has to generate value by bequest performance and quality entrenched home textile products to the world market. Manufacturers have to strive towards acquiring economies of scale in order to give timely and price effective deliveries.

Emerging Trends in Home Textiles Sector in the Quota free Regime

In the free quota regime the global textile trade is worth US$ 400 billion, with about 55 per cent being apparel, 20 per cent home textiles and other textile products make up the remaining 25 per cent. This is a clear indication that there exists immense potential for growth in the home textile segment. The Indian home textile exports have witnessed a growth of more then 300 per cent year on year in value terms during April-September 2005. Indian home textile manufacturers have witnessed growth across all segments with better realizations than its competitors have. This has reaffirmed India's competence in value added products, which can be seen in the improving profitability of companies engaged in this sector. [26]

Since quota abolition, India's actual export performance was a 14 percent growth in textiles and 33 percent in garments. Growth has been driven primarily by home textiles and garment. By focusing on the US market, India has become the USA's leading foreign supplier of towels and cotton sheets and to maintain this competitive advantage, India has to create value.[27]

India ranked second in the world with a share of 8 percent of the global home textile markets behind China with 12 percent. With huge capacities coming up in this sector coupled with intrinsic advantages over its competitors, India stands a good chance of becoming the top supplier in the world. India is

not just competitive on prices and deliveries but also extremely effective in handling replenishment programmes for big customers. On the social compliances and environment friendly production front, India is rated very highly among various suppliers in Asia. In terms of products, India is amongst the few in the world that offers the widest range in home textiles that cut across all fiber groups for e.g., towels and bed sheets in cotton; upholstery, bed covers and curtains in silk; sheers, window drapes and upholstery in polyester; cushion covers, throw and floor coverings such as carpets, deries, druggets and rugs in viscose; dining napkins and place mats in linen; and throws and carpets in wool and silk. In addition, India has the ability to offer immense variety and depth in each product category.[28]

With the home textile industry picking up momentum, many Indian players are looking for a larger piece of the cake with international acquisitions and mergers. Examples of acquisition and ties ups of brands, factories and retail chains by Indian companies are: Welspun acquires Christy of UK; Alok industries ties up with Hamsard of UK, GHCL acquired UK's largest home furnishing retail chain Rosebys and Dan River the leading home textile distributor of US. Recently, American Pacific of US is giving market access for a broad range of home furnishings to S Kumar's. The most recent to join the band wagon is Banglore based Himetsingka Seide, Ltd, a leading name in silk textiles which acquired a 70 percent stake in an Italian brand, Giuseppe Bellora Spa. Bellora is a luxury brand that has stores not only in Italy but in other parts of Europe.[29]

India witnessed a big surge in its manufacturing and exports of home textiles with the entry of several large companies like Alok, Welspun, Creative, Orient craft, Trident, and Bombay Dyeing to name a few. These companies have set up huge capacities vertically integrated plants that cater to the mass international for wide range of products like bed sets, bed sheets, terry towels,

upholstery fabrics as well as complete coordinates for bedrooms and living rooms.

Table No. 5.5

Item wise Exports of Cotton Made – ups

Description	April 2005- March 2006			April 2004- March 2005		
	Mn.Kgs	Mn.US$	%Share	Mn.Kgs	Mn.US$	%Share
Dress Materials etc	54.09	300.91	12.56	44.20	248.58	14.33
Towels(terry)	176.33	255.23	10.66	106.21	146.33	8.43
Carpets/Carpeting Material	56.11	203.83	8.51	35.02	125.73	7.25
Bed Spreads/Bed Sheets	41.44	201.13	8.40	26.34	139.74	7.11
Table, Toilet &Kitchen Linen	37.10	157.03	6.56	26.44	120.05	8.29
Bed Linen/Coverlets	27.65	143.11	5.97	21.43	85.29	4.92
Durries/Druggets/Rug	32.60	99.46	4.15	44.06	123.51	4.08
Cushion Cover	44.15	87.79	3.67	33.95	64.30	3.71
Table Cloth	42.47	86.19	3.60	37.90	73.17	4.17
Curtains	12.43	74.20	3.10	7.15	45.48	2.62
Shawls/Scarves/Dupattas	35.84	54.74	2.29	30.69	53.56	3.09
Towels(Non Terry)	46.02	52.71	2.20	37.84	41.65	2.40
Pillow Cases	31.08	51.90	2.17	21.02	35.69	2.06
Arab Rumals/Turbans	23.81	48.07	2.01	55.74	88.61	1.39
Dusters/Glass Cloth	14.05	47.26	1.97	6.20	20.05	1.16
Place Mats	32.73	45.10	1.88	19.23	28.18	1.62
Napkins	49.73	39.51	1.65	41.35	33.43	1.93
Blankets& Waste Blankets	8.11	23.52	0.98	4.91	14.73	0.85
Sacks & Bags/Thailies	5.13	22.49	0.94	5.04	22.12	1.27
Sewing Thread	3.99	20.09	0.84	7.91	30.55	1.02
Total(incl. others)	933.98	2395.15	100.00	670.00	1720.50	100.00

Source: TEXPROCIL, Bombay, 2007.

The analysis of item wise exports of Indian Cotton Made up articles for the year 2004-05 and 2005-06(Table No.5.5) confirm an equal growth of 39.2 and 39.4 percent increase in value and volume respectively. Towels, carpets, Bed Spreads, Bed Linen and durries are the items which showed a significant increase in the export share. Variations of other items are not significant. India's Home textile exports having already crossed US$3 billion in 2006 and hiked to24 percent in 2006-07. [30]

Texprocil which is primarily concerned with promoting exports of home textiles from India has revised the target and is now expecting to reach an export level of over US$6 billion by the year 2012. The council hopes to increase the share of cotton made ups from the present level of 48 percent to 60 percent during this period. This growth rate would contribute significantly towards achieving the overall vision of the industry for the year 2012, which envisages an export level of US$ 50 billion by that year.[31]

Despite rising competition from China, Pakistan, Brazil, Turkey, India's emergence as a winner in home textile sector in particular has to do with its ability to offer high design content, value addition, flexible volumes and complete service package. India's superior performance on account of workmanship, consistent quality and social compliance is being increasingly recognized by all major buyers around the world. Though Pakistan has always remained strong in producing promotional towels, India stands tall on the Terry Towel matrix as the largest exporter in the world in value terms and on Unit Value Realisation (UVR). In the bedding segment, while India is fast capturing the market on both volumes and value, it stands out on UVRs which lend credence to its product devélopment skills and capabilities. Though China remains to be a tough competitor Indian silk made ups and home fashion collections are briskly making their way to the shelves of the biggest and best international retailers and designer labels.[32]

Recently the domestic market for home textiles has witnessed a spurt in demand. A multitude of factors responsible for this trend are, the rise of multinationals, double income of many homes, spend thrift of consumers, emergence of independent home units, the retail boom and growth of wonderful malls. Live well and live for today is the philosophy of new generation.

The domestic market for home textiles is budding at a rapid pace and poised to grow at 20 percent over the next few years. This can be attributed to numerous factors such as fast growing economy with a nine percent GDP, the strong Indian value driven by savings and owning home, a growing importance for the home and family, double income of many homes, consumer's quest for a better life style, the retail boom and growth of wonderful malls. Electronic media, the print media, creative ideas as well as homes of celebrities, frequent traveling and getting the taste of the hospitality industry are also contributing towards influencing the consumers about the latest trends and fashions. [33]

Brands and retailers are eyeing this segment as a major opportunity for growth of their business in the years to come. The retail scenario becoming more organised with large format stores, multigrain outlets, department stores, malls etc. mushrooming in all major towns and cities. The consumers are now offered a wide variety and high quality products with competitive price tags. The elderly in the family did not long ago shopping for home textiles, but today it is the young and upwardly mobile generation that is doing the purchasing. The domestic home textile market of India will therefore be clearly positioned at the center stage of the global home textile activity over the next decade, both as a source and as a market. With evolving consumer life style and retailing patterns, the international markets are reflecting a structural change. India's population is shifting from the traditional joint family system to nuclear family. Besides, has lead to housing boom which ultimately will result in more demand for home furnishings and textiles.

Some of the big names in retail like Shoppers Stop, Life style, Pantaloons and West Side etc. are talking of developing large format stores for home textiles across the country. Recognising the growth potential in the home textile sector,

Areas for improvement of Home Textiles

Being a relatively young and modern industry, home textile segment provides significant investment and growth opportunities in India. To facilitate this growth and harness this opportunity for mutual benefits, the business interests of Indian and international industry need to be integrated. For this purpose a focused forum is needed where senior decision makers from the global home textile industry can up date themselves on global industry and market information, exchange views, explore new partnerships and discuss deals efficiently in a business environment.

Most of the exporters and buying agents feel that in home textiles, the prospects of growth are very promising. Primarily because the tolerance level in home furnishing is much higher at 1 to 2 percent whereas in apparel, the tolerance level is at a grilling 0.5 percent. More over, the industry have matured where bigger players are entering the market with consolidated and integrated units that are of greater interest to the buyer for a long and professional working relation. The Indian government's initiative to boost the export rates through promotional schemes like exhibitions and demonstration centers and buyer seller meets of home textiles have transformed into a fruitful endeavor. Besides, steps like allowing 100 percent foreign direct investment (FDI), introduction of the Technology Up gradation Fund (TUF) to facilitate the modernization and up gradation process and launching of state –of- the – art textile parks will also bring India closer to the top rung of the ladder. Apart from this, India's strength in cotton and silk production also lend the home textile industry its muscle power.[34]

Citigroup Global Market India mentioned in its equity research that, the Home textile exports are forecast to rise to US$10 billion by 2010 making India a leading global player and strengthening its position with an over three fold jump. China, India and Pakistan continues to dominate with a 76% share of the total bed linen exports to the US despite excess capacity and cost pressures amidst cut throat competition. Further, the US and EU together accounted for 70% of the world's US$70 billion imports for Home textiles, where as US alone imports bed linen worth US$24 billion. The largest exporter of home furnishings to the US is China, which accounts 38 percent share, Pakistan with 22 percent, while India accounts 16 percent.[35] This sector is set to grow due to the high growth drivers like focus on value addition through innovative designing, strategic partnerships with global brands and better supply chain management. It clearly indicates India's ability to compete more effectively in the home textile segment as compared to clothing or other textile products.

Though Indian Textile Industry is the sector where modern technology can be adopted at relatively reasonable investment costs to meet the quality standards, quality human capital and managerial personnel, some of the areas have to be improved in order to increase its performance in the export of home textile products.

- Attention should be focused in other markets like Japan, Australia etc, than the traditional markets EU and US. Incidentally China is the largest exporter of home textiles in the world and the major part of its export is directed to Japan.
- Chily, Poland and Middle East countries are some other destinations where exporters can try their hands in, since these are the places that are looking into India as a big sourcing destination because of small quantities, handcrafted looks and the competitors have not yet grabbed a foothold in these countries.

- India must increase its investment in wider width weaving and processing and reduce the utility cost like power to the international level.
- Indian home textile manufacturers has to invest heavily in expansion, modernization, backward integration and product and design development in a bid to cater needs of increasing global demand for home textiles.
- Product range should be expanded and should be differentiated in terms of designs.
- Value addition for products in terms of embroidery and other creative work should be improved.
- A tremendous change in professional merchandising, packaging should be implemented.
- Involvement of second generation entrepreneurs who are dynamic and professional.
- India's Research and Development should be made more active and focused.
- Non conventional products like Technical textiles, Smart Textiles, Intelligent fabrics, fabrics finished with the use of Nano Technology need more attention on the part of Indian manufactures.
- To capture the domestic market, a close study of the requirements of the Indian homes and life styles is a pre requisite. Manufactures may have to expand their product range to cater to very specific needs of Indian homes and kitchens.
- The modern consumers are quite aware of health and hygiene issues which resulted in a good market for naturally dyed home textile products.
- The domestic market suppliers will need to focus on the finishing treatment given to products like wrinkle free bed sheets, super absorbent towels, mite resistant carpets, stain repellent table linen and flame retarded draperies. The better finishing processes will offer advantages in terms of comfort, safety and ease of care. The producers will also have to

educate the consumers and inform of the superior performance of a finished product against the unfinished one.

India is poised to acquire leadership position in future, we just have to be more cautious and understand the mind set of clients. High transaction cost incurred in exporting goods abroad, delays also increase the cost and thereby discontent among foreign buyers to whom every fashion season is 50 days. If delay by 10-15 days shall result in a particular style going out of fashion leading to a large scale wastage. There are high tariff rates, worst hiring and firing practices and the most inefficient infrastructure along with procedural and other hurdles. What required is destination and commodity wise analysis of exports, which can help us to get back to higher path in relation to exports.

It is obvious that western markets are big with huge customers, gigantic orders and they offer the exporters opportunities to become a billion dollar company. But, the true consolidation of markets in India, Pakistan and countries all over South Asia has just begun to emerge and grow as they have gigantic demand driven populations. On industrial basis also they are growing quickly and this will create more and more buying power in these countries. In future the domestic market will be Asia's biggest opportunity. So, though Asian economies have wonderful prospects in the west, they should not under estimate their domestic markets.

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CHAPTER VI

DATA ANALYSIS AND INTERPRETATION

DATA ANALYSIS AND INTERPRETATION

The previous chapter analysed the development and export performance of Home Furnishing textiles in India in general and with special reference to cities of export excellence of Kannur of Kerala and Karur of Tamilnadu. This chapter examines the comparative analysis and interpretation of primary data collected by the researcher from export units of the respective states.

Introduction

From time immemorial, Kannur and Karur were cities of handlooms and exported handloom products to overseas markets. The structural renovation of the industry currently resulted in the export of home textiles to world markets. Both of them started from a meek beginning to cater to the demand of the domestic market, Kannur handloom producers bowed to export business during 1950's and Karur in 1980's. The superb export performance of these two South Indian districts in home furnishing textiles enforced the Ministry of Textiles to choose these centres of home furnishing textiles as the cities of export excellence. Over the years, the export performance of Karur surpassed that of Kannur and there exists an obvious discrepancy in the export receipts and profits. The researcher observed these differences and selected these two export excellence cities for a comparative study and to examine the fundamental causes of this disproportion in export performance.

Profile of Kannur

Kannur, labeled as the city of Looms and Lore's, is a land with a reverberating history, situated in the northern part of Kerala State. History of Kannur textile industry in general and handlooms in particular, dates back to 16^{th} and 17^{th} centuries. The rulers of Malabar area brought traditional weavers from far-away places to make their wardrobes. The pit loom weaving started around

Chirakkal for Chirakkal Rajas at Nileswaram, Kanhangad and Kuthuparamba. For the development of weaving a street was started in Kannur to cater to the clothing needs of the royal families and which is almost vested in a community called Chaliyas. With the arrival of foreign traders genuine base of trading started in Kannur. The credit goes to Basel Mission for nurturing and developing this elegant traditional cottage industry to Cannanore for promoting industrial development. The first factory type hand loom unit was started by the Basel Mission in 1851 and they introduced technological innovations in the industry by using the fly shuttle looms for the first time in the region. Later, handloom has metamorphosised to a livelihood for the traditional weavers. Gradually, private entrepreneurs from diverse communities got attracted to this industry due to the bright economic prospects and by the year 1900 they exported a variety of handloom fabrics and woven items to over seas countries like Ceylon (Sri Lanka), Burma (Myanmar), Afghanistan, Singapore and other neighboring countries.

The Factories Act of 1948 crippled the growth of handloom textile factories and cause the disorganisation of the industry as factory based production become costly on account of labour. Consequently, the industrial type co operative societies were formed in this area to help the unemployed weavers. The situation has changed favourably during the period 1950-60 with the entrepreneurs of Kannur acquired international name and fame due to the uniqueness and richness of handloom fabrics exported world wide. In the early 1970s, the hand loom industry of Kannur experienced an export boom with the introduction of a new crepe variety. The boom activated the growth of small units, but it lasted only for a short period.

The century's old history of handloom in Kerala starts from Thorth to high end furnishings like Terry Towel, Bed Sheets, Jacquard fabrics, Cotton Crepe, Table Linens, Bed Linens, Kitchen Textiles, Curtains, Pillow covers, Upholstery fabrics, and other furnishing fabrics. Handloom export activities

from Kannur started in the early 1950's. During 1960's export was started in Shirting's and Bed sheets. During 1970's, items like plain coloured Lungies was exported to Bangladesh, Burma, and Ceylon. The one single product that made waves in the international market was the "Crepe Fabric" from Kannur in the early 1970's. After the crash of the Crepe market, exporters started lot of product development and evolved upholsteries and other furnishing fabrics which clicked in the international market. In the 1980's home furnishing products gained popularity and this trend continues strongly. Business grew in about 25 major countries in the world and by the year 2006, the export value touched Rs 300 crores. Out of 52 leading handloom exporters of India eight exporters are from this town. In 2004, the Union Commerce Ministry elevated the status of this town as the "Town of Export Excellence." It is the only town from Kerala among the 24 textile centers in the country.

To boost handloom production, the Textile Committee of Kannur initiated a new cluster programme known as Kannur Handloom Cluster. The cluster produces sari, dhoti, setmundu, lungi, towel, furnishing fabrics etc. Fabric production of this cluster amounts to 138 million sq. mts and exported furnishing fabrics and made ups to the tune of Rs. 300 crore, out of this the share of Private exporters constitute 97 percent and Co-operatives 3 percent. The chief export markets of Kannur comprise 25 countries like, Europe, USA, Japan, Switzerland, Australia, Malaysia, etc. By 2010, the target is to perk this up to Rs. 1000 crore, sending hand loom from Kerala to about 50 countries. The thread of business in the Kerala Manchester is shifting to different kind of division of labour. Weavers in Kannur are taking the tough climb up the quality- skill curve, not on the glitters of a Kerala saree, but through its fine woven furnishing supplies for export as that odd over that finds its way to a room in White House.

The Handloom sector in Kerala employs 1.75 lakh people and this industry stands next to the coir sector in providing employment among traditional industries in the state. The industry is dominated by the co- operative

sector with 94 percent looms and the rest is owned by private industrial entrepreneurs. During the fiscal year 2005-06, there were 758 PHWCS consisting of 155 factory type and 603 cottage type societies. 54 percent of the major items are produced in the southern region followed by the North (32%) and Central (14%) regions. The over all production of cloth in Kerala shows a marginal increase of 1.82 million meters from 60.48 million meteres in 2003-04 to 62.30 million meteres in 2004-05.

Of the total number of 50200 looms in the state, the share of Kannur District is 11000. There are 73 registered co operative weavers' societies and 79 private handloom units in Kannur and they are largely engaged in the production of export variety items, particularly home furnishing textiles. The co- operative societies are functioning under an apex society called Hantex, a Government of Kerala enterprise. But the unorganized individual weavers are facilitated by the state government agency called Hanveev. Though there are 73 registered co – operative societies in Kannur, only 44 are functioning properly. Others are latent and many are facing liquidation. There are 3000 working looms in the unorganized individual weaving units and almost same number of weaver capacity, spread over 9 blocks of Kannur district.

The handloom industries in Kannur, principally the co operative fold, requires sufficient quantities of raw materials like cotton yarn, chemicals, dyes, and other accessories annually. The supply chain of these embraces NHDC and a limited sphere of private traders. In the absence of spinning mills, the suppliers are depending neighboring state Tamilnadu for the procurement of raw materials. The private exporters are also depending upon the local traders and middlemen, who not only supplies raw materials in time but also creating artificial scarcity to increases the cost. Due to eco – friendly nature of the government and environment conscience of the people, the basic infrastructure for dyeing, bleaching, printing, finishing etc, is inadequate. Of late, all producers are depending on other neighboring states for the same.

The largest concentration of looms and handloom labour force of the Kerala state can be found in Kannur. The specialty of Kannur fabric is its colour fastness and quality, which is the out come of the excellent natural manual dyeing quality with out softening water with chemicals. Kannur is endowed with a fantastic perennial river system which may provide immense water which is an added natural advantage for textile industry. Kannur is also blessed with the superb weavers and dyers who can weave and match any shade with the aid of old traditional method. The Dyed colours can excel any international test requirements. In 2000, Mudappathi Balakrishnan of Kannur innovated and patented Herbal cloth for 20 years. The specialty of this cloth is that, the dyeing process is carried out with herbal extraction from Turmeric, Red sandal wood, Neem etc. and the cloth used by Ayurveda medicine for treating skin disorders.

Handloom is a part and parcel of the heritage of India and exemplified the richness and diversity of the country and especially the artistry of the weavers. To uphold this noble cause and to foster this industry, supporting systems with a gamut of governmental agencies are working in Kannur. National Handloom Development Corporation (NHDC) provides raw materials; Weavers Service Centre extends services to improve the skills in weaving, designing, dyeing and printing and trains them to use advanced technology. The Institute of Handloom and Textile Technology (IHTT) provide different handloom based courses, Textile Committee office, issues clearance and certificates for export of clothes and offers consultancy on ISO certification and Weavers Welfare Board ensures the welfare of the weavers. Kerala State Handloom Development Corporation (KSHDC) provides capital assistance to weavers and co- operative societies, District Industries Centre is meant for implementing government policies and ICM is rendering training for co- operative societies in co operative management. More over, the service of both Hantex and Hanveev in Kannur helps in boosting the performance of the sector.

The Textile Centre Infrastructure Development Scheme (TCIDS) being implemented in Kannur under the auspices of KINFRA is slated to become operational in 2008. The Kannur project occupying 128 Acre plot is one of 24 such centers identified by the central government for textile infrastructure development in the country. The centre will assist the project to the tune of Rs. 20 crore and the state government will provide land, power supply and basic infrastructure. The centre will have common facilities of pre- loom processing of yarn with a capacity of 15 tones and post loom processing of 70, 000 meters of fabric a day. A significant gain for the textile industry in the region is that the centre will enable it to undertake a major chunk of the pre – loom and post loom processing of yarn and textiles, which are currently done in Tamilnadu.

The projects namely "Thanima, Krithika, and Prathibha" are formulated for the welfare of the unorganized weavers in the districts of Thiruvananthapuram, Kannur, Palakkad and Kozhikode where the most of the handloom units are centered. The scheme aimed to bestow opportunity for aggravation of production and marketing of handloom products by the formation of self-help groups. 'Krithika' is an innovative project proposed for the social and economic development of marginal handloom weavers of Kannur district in the unorganised sector (Rs 13 crores). The project intense to provide employment opportunities throughout the year and to set up most modern infrastructure facilities, so that weavers can produce quality products having international standards and supply to the exporters.

Profile of Karur

From time immemorial many places are recognized by the traditional and major activities of the area and in this line, Karur is known as the handloom city of Tamilnadu. Karur, situated on the banks of Amaravathi River, is known for its heritage and ancient trade on textiles since Sangam and Roman period. The mention of Karur is identified with one single trade 'textiles' for several decades

which generate sumptuous export revenue annually to the Union Government. It is a major production cum trading centre in textiles like, hand loom/ power loom textile products, knit wear, dyeing, and mosquito nets. However, the growth of Karur is mainly due to the handloom textile trade and the export of textiles has recorded constant steady growth. The manufacturers/exporters of Karur source the material from many handloom centers in Tamilnadu besides Karur.

In the past it was the Tamilnadu based entrepreneurs who effectively switched over from fabrics to made ups and met the power loom challenge. Despite the fact that many of the items in demand abroad were not familiar to them, Exporters and weavers in Tamilnadu lead a veritable revolution in the made up sector in the last decade. New items, new designs and new constructions gave a fresh lease of life to hand loom exports. It is this spirit of innovation and enterprise, both qualities which are abundantly available in the state, which once again have to provide the lead.

Several lakhs of families are engaged directly and indirectly in the hand loom industry and almost every house in the suburbs having looms at home. Karur is the largest handloom production centre in South India with 18,000 handlooms engaged in export trade and 34000 looms under the co-operative sector cater the demand of the domestic market. The handloom industry being totally decentralised and unorganised in nature, a three tier system exist behind the exportation of textiles which are master weavers, Karur export fabric suppliers and merchant exporters.

The villages around Karur have a sufficient number of handlooms to supply fabric to the exporters; the town itself has a strong power loom base. Sourcing the yarn is not much of a problem because major spinning centers like Coimbatore, Salem and Dindugal are nearby. The town has considerable capacity for yarn dyeing and fabric dyeing out sourced from Perundurai near Salem. The labourers of Karur have strong skills in weaving, dyeing and

stitching. The innovation of novel products in the domestic market has facilitated the industry to penetrate in to the export market. The early adoption of modern technical know-how is one of the succeeding factors that have put Karur on a strong footing in the export front. Many North Indian companies have set up their production facilities in Karur to meet the growing demand of Karur products in home furnishing from their buyers.

The types of looms accessible in Karur are Plane, Dobby, Jacquard, and Single Treadle, Multi Treadle, Pit Looms, Raised Pit Looms etc. The count of yarn which is predominant in this area is 2/20s. The products made out of these looms are habitually furnishing materials, mat, bed linen, table linen, toilet linen, kitchen linen, napkin, upholstery, kitchenware, unique products like Christmas Set, chair pad, cushion cover, pillow cover, quilt cover, aprons, throws, figured towels, curtains, dish cloth, duster cloth, pot holder and other made up articles.

Previously handlooms accounted for 80 percent of the fabric used by the local home furnishing industry. Currently, in Karur 50 medium and large companies are using auto looms in their factories and it accounts for 35 percent of weaving. Fifty percent of the weaving is still carried out on power looms and the rest is done on handlooms. The handloom Weavers continue to get work because of the growing interest in handloom fabrics for the home fashion in the international market, despite the proliferation of power looms and auto looms. The exponential growth of exports of Karur depends on product development, sound design and product capabilities.

There are 500 dyeing units clustered in the region of Karur for processing the cotton yarn at the rate of 1900 bales per day by directly employing about 40000 work forces. These process houses generally adopt hand processing of cotton yarn in hank form by traditional work methods except few units having mechanised process (cabinet dyeing machines). 70 percent of the processed yarn are used for export business and the rest in domestic market. The processing

industries at Karur mainly operate on job work basis and the growth rate is estimated from 10 percent to 15 percent. These units wholly depend on ground water for the processing and the nature of dyes normally used are Direct, Vat, Napthol, Reactive etc. The necessity of producing eco friendly textiles has forced many dyers to go for Reactive or Vat dyes. There is no dyes or chemical manufacturer in Karur and mostly purchased from companies based at Mumbai, Ahamedabad, and Delhi and to market the same there are more than 100 dealers operating at Karur. The consumption of dyes and chemicals by Karur processing industries crosses 150 crores every year. The treatment of the raw effluents released from the processing industries is another major activity. There are eight Common Effluent Treatment Plants (CETP) constructed at the cost of 21.76 crores covering about 500 units and 90 units have got their own ETP and the rest in the progress for treating the effluents.

In addition to the above there are 40 printing units at Karur doing pigment printing on fabrics and made – ups by screen printing. The number of people directly involved in printing activities is about 800 and the printed goods are mostly consumed in the domestic market. The speciality of Karur textile products is the attractive colours, which give charm and quality to the products. The export business necessarily demands for the Colour guarantee in the dyed products for which the existence of a laboratory is essential. Realising the need of the hour, the Textile Committee has opened a laboratory in 1996 and SGS in 1998 at Karur and rendering service by appraising the quality of textile products. SITRA also have the test laboratory in their weavers' service center and there are about five design center with CAD facility.

Products such as bed spreads, curtains, cushions and cushion covers account for around 70 percent of the home furnishing exports from Karur. They also export large quantities of table and kitchen linen. While cotton is the basic fabric for 80 percent of the home textiles produced in the town, blends account for only 20 percent. The demand for blends and polyester based products are

growing in the American market. The Karur exporters are mainly known for their strengths in manufacturing basic products and recently they are manufacturing products with value additions like embroidery and bead work. Reflecting this trend, many individual embroidery units have come up in the town. Besides, some exporters are putting up in house embroidery facilities to meet the growing demand for value added products.

Karur has established itself globally as a major source for woven home furnishing products. The range of products varies from small serviettes to big bed cover. There are textile manufacturer exporters and merchant exporters engaged in the export business at Karur. Merchant exporters of Mumbai, New Delhi, Chennai, Panipat, Bangalore, and Coimbatore are procuring the home furnishing materials from Karur for export. Overseas export to USA, EU, and Japan etc constitutes 80 percent of the production and the rest is marketed in the domestic market.

Diversification is the dictum of the day. There are a few enterprising textile clusters in India, which dared to step into newer pastures. Karur was one such cluster and to day it is reaping the benefits of diversification. Today Karur's home textile industry has managed to command the attention of buyers of premium home textiles in Europe and America. In fact importers in America are keen to expand their business in Karur. Even domestic sales look up with growing awareness among the Indian middle class on household textiles and their willingness to go for frequent replacements. Karur based textile companies are involved with capacity building. Many are going for integrated production facilities, as buyers are more inclined to place orders with only those who have manufacturing facility. Karur's home textiles are broadly classified as handlooms and largely comprise kitchen, bed, and bath linens. Wall hangings and bed covers made of finer count fabrics command premium prices and niche exports especially in Scandinavian countries. Karur industry upgrades quality to meet growing requirements of home fashion products from international market.

Most of the manufacturer exporters of Karur were once handloom weavers and elevated to their existing status by sheer hard work. The exports from the town increased due to the concentration of the local exporters on export markets, modernisation of the production process and most of the manufacturers turned into direct exporters rather than supplying to merchant exporters in places like Mumbai. The growth in the Home textile markets also fuelled the export growth of Karur. Change in the management attitude of the second generation by inducting professionals in the organisation and acquisition of better communication skills also helped the surge in exports.

Recently Karur adopted significant changes in production sphere. All manufacturer exporters have an in house stitching facility. Other activities of the production cycle like yarn dyeing and weaving are either handled by themselves or outsourced. Most of the companies are adopting the integrated set up to take the advantage of cost, consistency of quality, efficiency and lead time. Apart from the introduction of auto looms, the home furnishing companies have also implemented technological up gradation in dyeing and stitching operations. While the majority of exporters shifted from manual to cabinet dyeing, the stitching facilities are now functioning with power driven machines.

Data Analysis

The present study proposed to make a comparative analysis of export performance of home furnishing textile units of Kannur and Karur during the quota phase out period (1995 – 2004). The data was collected on census method from the manufacturers and export units of Kannur in Kerala and Karur in Tamilnadu. The researcher collected data from all export units except the dormant and irregular export units.

Location of the units

The location wise distribution of sample units is presented in Table No. 6.1.

Table No. 6.1

Location wise Distribution of Sample

Location	No. of Units	Percentage
Kannur	44	32.59
Karur	91	67.41
Total	135	100.00

Source: Survey Data

Table No.6.1 shows that the total number of Home Furnishing Export Units of Kannur of Kerala and Karur of Tamilnadu, from where the data are collected for analysis. In Kannur, the existing responded units are 44. Likewise, in Karur, they amount to 91.

Registration Status

A Small Scale unit is defined as an industrial undertaking with a capital investment not exceeding Rs.100 lakhs. Small Scale export units are allowed to invest up to Rs.500 lakhs. Small scale industrial units are abiding to register with the District Industries Centre to avail the concessions, subsidies etc. In the case of handloom export units', registration in the Handloom Export Promotion Council (HEPC) is necessary for availing the benefits and concessions granted by the Government of India for exports of handlooms. All the member units are entitled to get Market Development Assistance (MDA). The registration status of export units of Kannur and Karur are obtainable from Table No.6.2.

Table No. 6.2

Registration Status of Export Units

Registered with	No. of Export Units	
	Kannur	Karur
District Industries Centre	44 (100.00)	73 (80.22)
Handloom Export Promotion Council (HEPC)	44 (100.00)	91 (100.00)
Pearson Chi-square: 10.0423, df=1, p =.001531		

Source: Survey Data
Note: Figures in brackets denote percentage

From table No.6.2 it is clear that all export units in Kannur are registered with District Industries Centre and Handloom Export Promotion Council whereas in Karur, only 73 units (80.22%) are registered with DIC, but all units were registered with Export Promotion Council. In Kannur, all export units are Small Scale Units, but in Karur out of 91 units, only 73 units are Small Scale Units.

Since the p-value (.001531) is less than 0.05, there exists significant difference between the regions with respect to registration status of the export units.

Nature of Organisation

Business Organisations are classified into four types according to the nature of ownership and management. Proprietary, Partnership, Joint stock Companies and Co- operative firms are the different forms of business organisations. If the ownership and management is vested with one person it becomes a Proprietary firm. Two or more persons jointly agreed to conduct a business under a Partnership deed; it will treat as a partnership firm. Joint stock Companies are the firms registered under the companies Act 1956. A firm formed as per the Co- operative Societies Act will be a co- operative firm. The

organisation wise distribution of home furnishing firms at Karur and Kannur are presented in Table No. 6.3.

Table No. 6.3

Nature of Organisation of Export Units

Type	Kannur	Karur	Total
Proprietary	8 (18.18)	13 (14.29)	21 (15.56)
Partnership	31 (70.45)	78 (85.71)	109 (80.74)
Company	1 (2.27)	0 (0.00)	1 (2.27)
Co-operative	4 (9.09)	0 (0.00)	4 (9.09)
Total	44 (100.00)	91 (100.00)	135 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage

From the table 6.3, it is evident that in Kannur nearly three-fourth (70.45%) units are partnership firms whereas in Karur more than four-fifth (85.71%) units are partnership firms. It is very clear that either partnership or proprietorship units alone are operating in Karur. So the inherent advantages of such forms of business will help the units in Karur to enjoy the economies of scale. Of the entire export units studied, only one belongs to joint stock company form of organization and that too in Kannur.

Classification of Time period

The registration period of the export units are divided into four phases. The first division is before 1947, denotes period before independence. The second period covers 1947 to 1973, represents a period of various controls in the

textile trade in the world market and the period before the Multi Fibre Arrangement (MFA). 1974 to 1993 symbolise the period of Multi Fibre Arrangement (MFA) or Quota regime. In 1994, the Agreement on Textiles and Clothing (ATC) came into force and under the ATC, it is agreed to phase out the Quota with in a period of ten years from 1995 to 2004. So it is known as quota phase out period. Quota Free Regime starts from 1st January 2005 onwards. The period of the study covers the Quota Phase out Period, so the study concentrates mainly on export trends during this period. The number of export units registered in different period is exposed in Table No.6.4.

Table No. 6.4

Distribution of Export Units over the Years

Area	Number of Units				Total
	Before 1947	1947-1973	1974-1994	1995- 2004	
Kannur	6 (13.64)	7 (15.91)	18 (40.91)	13 (29.55)	44 (100.00)
Karur	0 (0.00)	4 (4.40)	61 (67.03)	26 (28.57)	91 (100.00)
Total	6 (4.44)	11 (8.15)	79 (58.52)	39 (28.89)	135 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 20.7030, df = 3, p = .000122

From Table No.6.4, it is obvious that before independence there were six export units in Kannur (13.64 %), whereas there were no units in Karur. From 1947 to 1973, Kannur had seven export units (15.91%), in contrast to four units (4.4%) in Karur. Even though Kannur had an early start of export units, during the MFA period (1974-1994) Kannur registered only 18 units (40.91%), whereas Karur registered as many as 61units (67.03%). During the ATC regime (1995-

2004) in Kannur, the units registered were 13 and in Karur, it was just double. In Karur, the units were mainly started during the MFA period. Since the P value is (P. Value is .000122) less than 0.05 there exists significant difference in the distribution of Export Units over the years. The policy support extended by the government of Tamilnadu, the favourable labour environment, natural growth of auxiliary activities in and around Karur made the centre a better attractive place.

Technological Status

Handloom is used for weaving and it is actuated by human power. Power loom is a substitute of handloom with the only difference that it is actuated by mechanical or electrical power. The home furnishing textiles are mainly woven in the handlooms, but power looms can also be used for it. The productivity of power loom is far better than the handloom.

Table No. 6. 5

Technological Status of Export Units

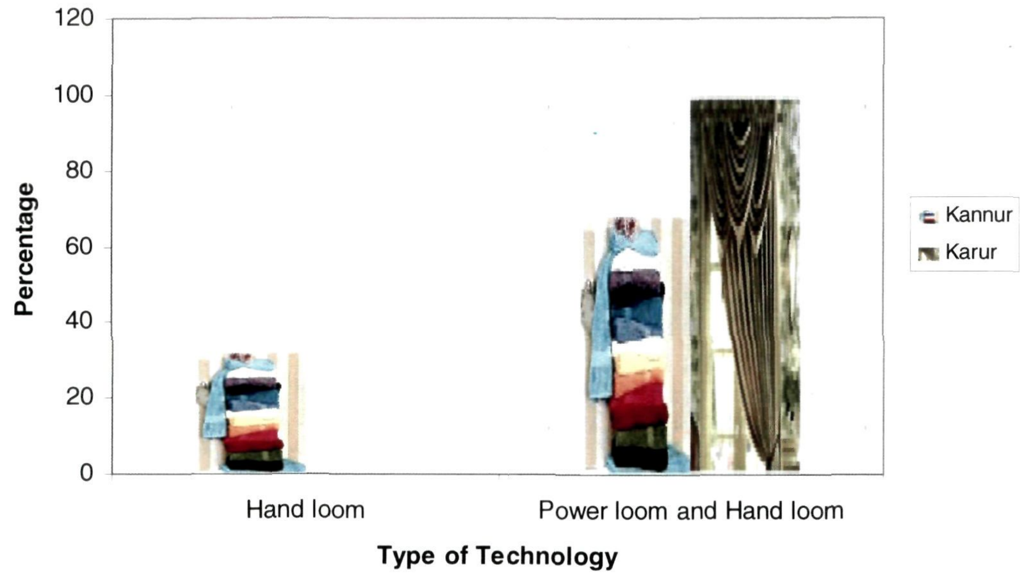
Type of Technology	Kannur	Karur	Total
Hand loom	14 (31.82)	0 (0.00)	14 (10.37)
Power loom and Hand loom	30 (68.18)	91 (100.00)	121 (89.63)
Total	44 (100.00)	91 (100.00)	135 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 32.3047, df=1, p=.000000

In Karur, all the export units are using handloom and power loom for weaving, whereas in Kannur nearly one-third (31.82%) units are using only handloom for weaving (see table No.6.4). Cost of production of handloom products is more than the power loom products. Since the P value is (P. Value is

.000000) less than 0.05 there exists significant difference in the usage of handloom and power loom in Kannur and Karur. Hence Karur is more cost effective than Kannur. Figure No.6.1 also illustrates this situation.

Figure 6.1
Technological Status of Export Units



Nature of Technology

The home furnishing units are using different types of technology for production. On the one side they are using the hand spinning, manual dyeing, handlooms, etc. and on the other side they are using rotors for spinning, automatic looms for weaving, zero- zero machines for finishing, fully automatic machines for stitching and embroidery works. The Table No.6.6 revealed the use of technology by the export firms of Kannur and Karur.

Table No. 6.6

Nature of Technology Adopted

Nature of technology	Number of Units		
	Kannur	Karur	**Total**
Traditional	11 (25.00)	1 (1.10)	**12 (8.89)**
Modern	2 (4.55)	10 (10.99)	**12 (8.89)**
Hi tech	1 (2.27)	3 (3.30)	**4 (2.96)**
Traditional and Modern	24 (54.55)	18 (19.78)	**42 (31.11)**
Modern and Hi tech	1 (2.27)	13 (14.29)	**14 (10.37)**
All	5 (11.36)	46 (50.55)	**51 (37.78)**
Total	**44 (100)**	**91 (100)**	**135 (100)**

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 48.2564, df=5, p=.00000

The table No. 6.6 makes it clear that in Kannur, only five units (11.36%) are adopting all types of technology for production, but in Karur, as many as 46 units (50.55%) are adopting all types of technology for production. Since the P value is (P. Value is .000000) less than 0.05 there exists significant difference in the usage of new technology in Kannur and Karur. Further, manufacturers of Karur are early adopters of modern technology where as, Kannur manufacturers are laggards. Technology acts as a detrimental factor which affects the cost effectiveness of exporters. Table 6.5 and Table 6.6 reveal that, the adoption of modern technology in the field of dyeing, weaving, processing, finishing and stitching is higher in Karur than Kannur. The second hypothesis "There exist

significant difference in cost competitiveness in Home Furnishing Textiles at Karur and Kannur with regard to technology, managerial efficiency and working hours" is validated.

Production Process

The manufacturing process of home furnishing products consist of Dyeing, Weaving, Finishing, and Stitching of made ups. People are strongly resisting the operation of dye houses due to water pollution. Hence, most of the exporting units are outsourcing this work from the neighbouring states. Due to the complex nature of weaving, fabric production is also outsourcing. Stitching of made ups are usually carried on by using the inbuilt facility. Integrated firms are mostly preferred by the importers for placing orders.

Table No. 6.7

Type of Production Activities undertaken by Export Units

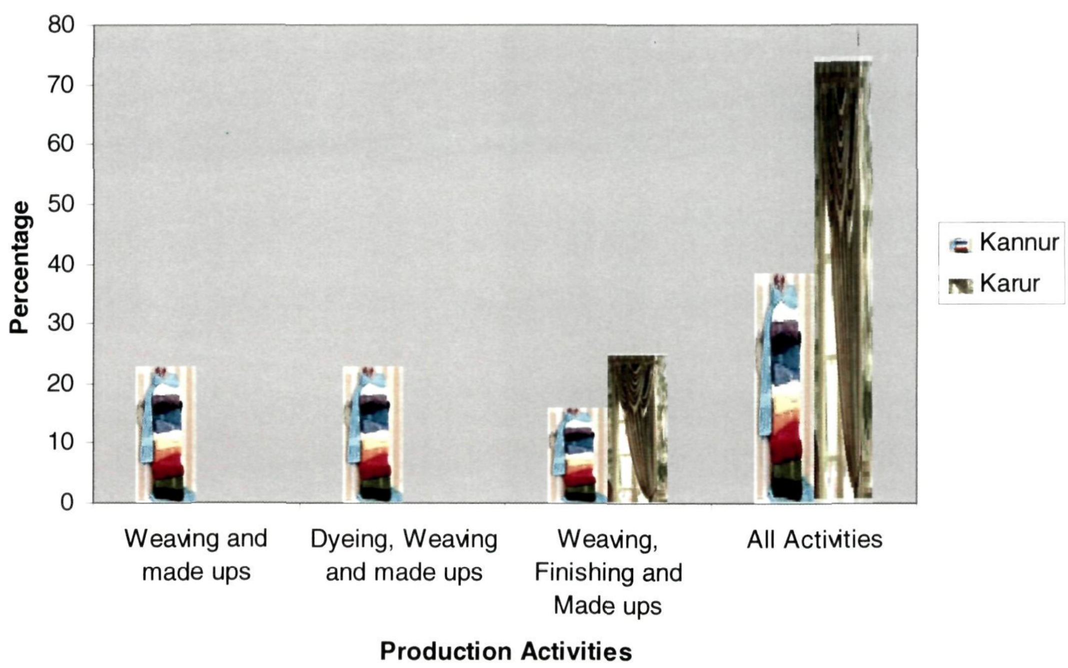
Production Activities	Kannur	Karur	Total
Weaving and made ups	10 (22.73)	0 (0.00)	10 (7.41)
Dyeing, Weaving and made ups	10 (22.73)	0 (0.00)	10 (7.41)
Weaving, Finishing and Made ups	7 (15.91)	23 (25.27)	30 (22.22)
All Activities	17 (38.64)	68 (74.73)	85 (62.96)
Total	44 (100.00)	91 (100.00)	135 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 48.6695, df=3, p=.000000

The survey revealed that, 10 units of Kannur (22.73%) are performing only weaving and made ups (see table.6.7). However, in Karur there are no such

units. In Karur three-fourth (74.73%) of the units are performing all the production process in their units whereas it is only one-third (38.64%) in Kannur. Integrated firms are more cost competitive. Hence, the units in Karur are more cost effective and profit oriented than in Kannur. Since p value is (P = .000000) less than 0.05, there exists much difference in the production activities under taken by the export units of Kannur and Karur. Figure No.6.2 demonstrates this position.

Figure 6.2
Type of Production Activities undertaken by Export Units



Product Mix

The Home furnishing textiles includes the items like Bed Linen, Table Linen Kitchen Linen, Bath Linen and other items like Floor Mats, Bath Mats, Sofa Covers, Curtains etc.

The Home furnishing textiles exported from Karur includes Napkins, Table cloth, Mat, Tea towel, Curtains, Potholder, Duster cloth, Bedspreads, Cushion cover, Pillow covers, Chair pad, Quilt cover, Aprons, and other upholstery items. The exports include both Furnishing fabrics and Made ups. Conversion of fabrics into Made ups is a value addition process and will also generate more employment opportunities. The product mix of export units of Kannur and Karur are shown in Table No.6.8, and the share of furnishing fabrics and made ups to the total exports are shown in Table No.6.9.

Table No. 6. 8

Product-mix of Exports

Products	Kannur	Karur
Made ups	0 (0.00)	6 (6.59)
Furnishing Fabrics and Made ups	44 (100.00)	85 (93.41)
Total	44 (100.00)	91 (100)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 3.03603, df=1, p=.081444

In Kannur all export units are exporting fabrics and made ups, where as in Karur 85 units (93.41%) are exporting fabrics and made ups and six units (6.59%) are exporting only made ups. Value addition is more profitable in the case of made ups than furnishing fabrics. Since the P value is (.081444) greater than 0.05, there is no significant difference in the product mix pattern of export units in Kannur and Karur.

Table No. 6.9

Share of Furnishing Fabrics and Made-ups to total exports

Exports	Kannur (Percentage)	Karur (Percentage)
Furnishing Fabrics	20.34	7.99
Made ups	79.66	92.01
Total	100.00 (44)	100.00 (91)

Source: Survey Data
Note: Figures in brackets denote number of units
Pearson Chi-square: 3.03603, df=1, p=0.000211

Table No.6.9 shows that, in Kannur, 20.34 percent of the exports are in the form of Furnishing Fabrics and the balance (79.66 percent) as Made ups. In Karur, the share of Furnishing fabrics is only 7.99 percent. Large share of made ups will increase the value addition and profitability of the export units of Karur. *Since the P value is (P =0.002110) less than 0.05, there is great variation in the* share of exports of Furnishing Fabrics and Made ups in Kannur and Karur. Kannur exports more furnishing fabrics than Karur hence the profit margin of Kannur export units are lesser than Karur.

Sources of Raw material

Yarn, Dyes and Chemicals are the important raw materials required for the manufacture of home furnishing textiles. These raw materials can be procured from the local mills, National Handloom Development Corporation (NHDC), Co- operative Societies or from outside the state. NHDC will provide Hank yarn (which can be used only in handlooms) at a subsidy of 3.5 percent, including one percent for freight charge to all registered handloom weavers, co-operative units, and members of HEPC. There is no subsidy for dyes and chemicals from NHDC, but they will supply at the factory price with out charging any profit. The exporters will purchase from various sources at their

convenience. The Table No.6.10 exhibits the procurement sources of raw material of the firms of Kannur and Karur.

Table No. 6.10

Sources of Raw Material Procurement

Source of Raw Material	Kannur	Karur	Total
Local mills	1 (2.27)	41 (45.05)	42 (31.11)
NHDC	3 (6.82)	0 (0.00)	3 (2.22)
Outside states	8 (18.18)	0 (0.00)	8 (5.93)
Local mills and Co-operatives	0 (0.00)	2 (2.20)	2 (1.48)
Local mills and NHDC	12 (27.27)	5 (5.49)	17 (12.59)
Local mills and Outside state	3 (6.82)	41 (45.05)	44 (32.59)
NHDC and Outside state	6 (13.64)	0 (0.00)	6 (4.44)
Local mill, NHDC and outside state	11 (25.00)	2 (2.20)	13 (9.63)
Total	44 (100.00)	91 (100.00)	135 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 94.0649, df =7, p=.000000

Table No.6.10 discloses that in Kannur 12 units (27.27%) are purchasing only from local mills and NHDC whereas in Karur it is only one-fifth of that of Kannur. It is worth mentioning that in Karur 41 units are purchasing only from local mills whereas only one unit in Kannur is depending exclusively on local purchases. It is observed that in Karur not even a single unit is depending

exclusively on outside state for raw materials whereas it is as many as eight units (18.18%) in Kannur. The study revealed that the export units of Karur are cost effective in the procurement of raw materials than export units of Kannur. Since the P value is (P= .000000) less than 0.05, there is much variation in the source of raw material procurement.

Production Problems

The exporters are facing a number of problems in relation to production and they are classified into 11 categories like, shortage of raw material, poor quality of raw material, shortage of power etc. The weighted rankings of problems are given in Table No. 6.11.

Table No. 6.11

Problems Confronted in Production

Production Problems	Kannur		Karur		Total	
	Average score	Rank	Average score	Rank	Average score	Rank
Shortage of raw materials	6.91	4	7.03	3	6.99	3
Poor quality of raw materials	7.32	3	5.62	7	6.17	6
Shortage of power	6.82	6	6.00	4	6.27	5
Shortage of water	2.77	10	5.68	6	4.73	9
Inadequate financial support	1.89	11	2.09	11	2.02	11
Pollution to environment	7.68	2	5.93	5	6.50	4
Lack of infrastructure	6.52	7	5.13	9	5.59	7
Rigidity of labour laws	5.80	8	5.29	8	5.45	8
Scarcity of skilled labour	6.84	5	8.60	2	8.03	2
Regulatory restriction	3.75	9	4.07	10	3.96	10
Yarn price variation	9.70	1	10.56	1	10.28	1

Source: Survey Data
Note: Figures in brackets denote percentage

The Table No. 6.11 illustrates the problems of exporters of Kannur and Karur in the order of their rank. Yarn price variation is the most vital problem for both regions. The second problem faced by exporters of Kannur is pollution to environment, where as in Karur it is the scarcity of skilled labour. Poor quality of raw material poses the third problem of Kannur, but scarcity of raw materials is the third problem of Karur. Both Kannur and Karur are confronting problems with similar ranks in the case of lack of infrastructure, rigidity of labour laws and inadequate financial support.

Pollution Control Measures

Water pollution is an important problem of Textile industry. Appropriate measures should be taken by the export units to control this environmental problem. Setting up of Effluent Treatment Plant (ET plant) and Reverse Osmosis Plant (RO plant) are the various methods accepted to control the water pollution. The pollution control measures adopted by the export firms of Kannur and Karur are explained in Table No. 6.12.

Table No. 6.12

Pollution Control Measures

Measures	Kannur	Karur
ET Plant	11 (25.00)	3 (3.30)
ET and RO Plant	4 (9.09)	32 (35.16)
No Measures	29 (65.91)	56 (61.54)
Total	44 (100)	91 (100)

Pearson Chi-square: 21.1230, df =2, p=.000026
Source: Survey Data
Note: Figures in brackets denote percentage

The export firms are installing Effluent Treatment Plant and Reverse Osmosis Plant to control pollution. Table No.6.12 exposed the position in Kannur and Karur in the pollution control process. In Kannur 29 units (65.91 percent) are not adopting any measures to control the pollution, where as in Karur, it is 56 units (61.54 percent). 32 units of Karur have both ET and RO plants, but it is only 4 units in Kannur. As the P value (P = .000026) is less than 0.05 there is significant difference between Kannur and Karur in the adoption of pollution control measures. Therefore units in Karur are more eco- friendly and conscious about pollution control norms.

Modernisation and use of TUFS

The Ministry of Textiles has launched Technology Up gradation Fund Scheme (TUFS) for textile and jute industries with effect from 1-04-1999. It aims to provide funds for technology up gradation of existing units and setting up of new units. The modernisation of export units is extremely essential to face the competition in the free quota regime. The total number of units modernised and utilised the TUF loans are explained in the Table No. 6.13.

Table No. 6.13

Modernisation of Export Units and Utilisation of TUFs

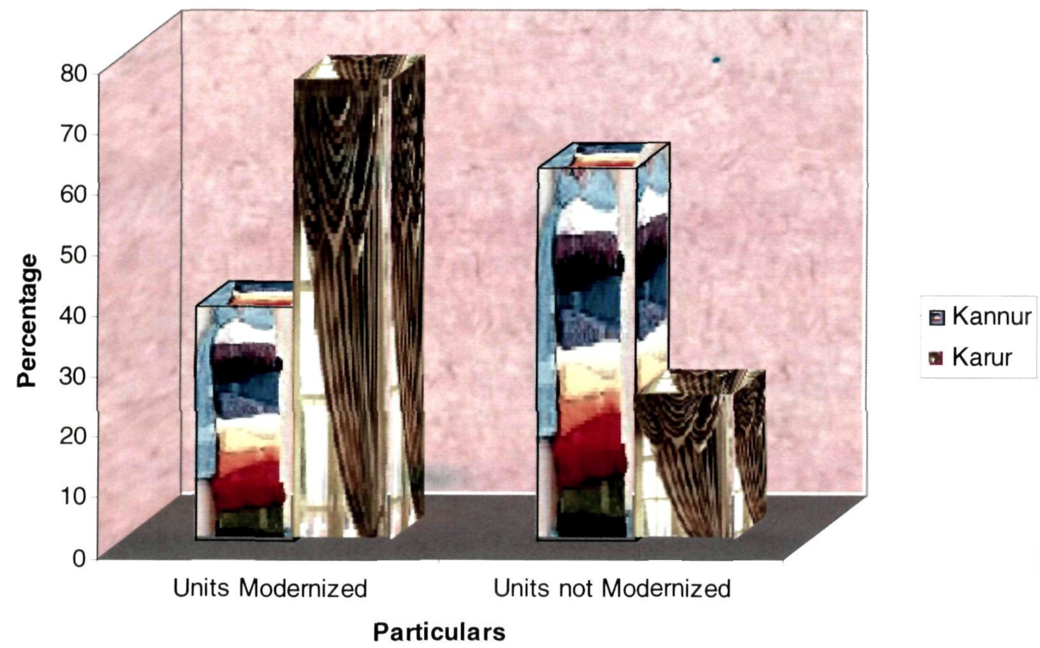
Particulars	Number of Units	
	Kannur	Karur
Units Modernised	17 (38.64)	69 (75.82)
Units not Modernised	27 (61.36)	22 (24.18)
Total	44 (100.00)	91 (100.00)
TUFS availed units	5 (29.41)	38 (55.07)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 17.7392, df =1, p=.000025

The survey reveals that, in Kannur, only 17 exporters (38.64%) modernised their units as a part of the quota free regime, but in Karur as many as 69 units (75.82%) have modernised after 2000 (Table No. 6.13). In Kannur, only five modernised units were able to make use of the Technology Up gradation Fund Scheme whereas in Karur more than half (55.07) of the modernised units availed this facility. It shows that the units of Karur were prepared to face the challenges of quota free regime by availing TUFs loans. Hence the competitive capacities of Karur export units are more than that of Kannur.

Since the P value is (P= .000025) less than .05, there is significant difference in the modernisation of units and usage of TUFs loan by the units of Kannur and Karur. This situation is depicted in Figure No.6.3.

Figure 6.3
Modernization of Export Units



Technical Know how

As a part of the technology up gradation, the Textile and Clothing units of India began to adopt the Technical Know-how from other countries by importing new machines and its know-how. Modern machines like automatic looms, rapier machines, embroidery machines etc. along with their know-how are importing from the developed countries and especially from China. Technology up gradation with the help of imported machines and knowledge will increase the productivity and help the firms to become more cost competitive. Table No. 6.14 explains the position of the export firms of Kannur and Karur in the usage of imported machines and their know-how.

Table No. 6.14

Use of Imported Technical Know-how

Particulars	Kannur	Karur
No. of units imported technical knowledge	0 (0.00)	15 (16.48)
No. of units not imported technical knowledge	44 (100)	76 (83.52)
Total	44 (100.00)	91 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 8.15934, df=1, p=.004287

It is worth mentioning that from a total of 91 units in Karur 15 units have imported foreign Technical Know-how, whereas no units in Kannur imported any Technical know how from foreign countries(see table 6.14). From this, it is evident that Karur is more technically innovative and moved by modern advancements in technology. They are also glowing well to capitalise the free trade regime. Since the P value is (P = .004287) lesser than 0.05, there is significant difference between the units of Kannur and Karur in acquiring technical knowledge from overseas countries.

Out sourcing

The exporters of home furnishing textiles are pursuing two types of out sourcing. They are product out sourcing and labour out sourcing. In product outsourcing the exporters are directly purchasing the required fabrics or made ups from the manufacturers after thorough verification of quality of the product. But in labour out sourcing, the exporters are providing the required raw materials, designs and descriptions to the job workers and get the work done. There are many advantages derived from the labour outsourcing. The exporters can escape from the labour problem, pollution problem, besides it will also reduce the cost of production, fixed cost expenses and overhead expenses. The type of product outsourcing, the sources of product outsourcing, the share of outsourcing to the total exports and the methods adopted to ensure the quality of the products outsourced, are elucidated in Table No.6.15, 6.16, 6.17, and 6.18 correspondingly. The advantages of outsourcing with their weighted rankings are revealed in Table No. 6.19.

Table No. 6.15

Labour or Product out sourcing by Export Units

Particulars	Kannur	Karur	Total
Labour out sourcing units	16 (36.36)	46 (50.55)	62 (45.93)
Product outsourcing units	2 (04.55)	1 (01.10)	3 (02.22)
Product and Labour out sourcing units	22 (50.00)	36 (39.56)	58 (42.96)
Units not resorting to outsourcing	4 (09.09)	8 (08.79)	12 (08.89
Total	44 (100.00)	91 (100.00)	135 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 3.64127, df=2, p=.16193

More than half (50.55%) of the units in Karur resorts to labour outsourcing (see table.6.15) whereas, it is slightly above one-third (36.36%) in Kannur. Since the P value is (P = .16193) greater than 0.05, there is not much difference between the nature of outsourcing of the units of Kannur and Karur.

Table No. 6.16

Sources of Outsourcing of Export units

Source	Kannur	Karur	Total
Local weavers	8 (20.00)	47 (56.63)	55 (44.72)
Local weavers and co-op societies	9 (22.50)	18 (21.69)	27 (21.95)
Local weavers and Outside the state	15 (37.50)	11 (13.25)	26 (21.14)
All Sources	8 (20.00)	7 (8.43)	15 (12.19)
Total	40 (100.00)	83 (100.00)	123 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 18.5741, df=3, p=.000336

Table No. 6.16 clarifies that in Kannur, out of the 40 outsourcing units 23 units, (57.50%) are outsourcing the work to outside the state whereas in Karur as many as 47 units (56.63%) are outsourcing to the local weavers resulting in comparatively lesser cost of production to export units of Karur. On the contrary, in Kannur outsourcing to other states results in loss of employment, and income to local weavers. Since the P value is (P= .000336) lesser than 0.05, there is wide difference in the sources of outsourcing of export units between Kannur and Karur.

Table No. 6.17

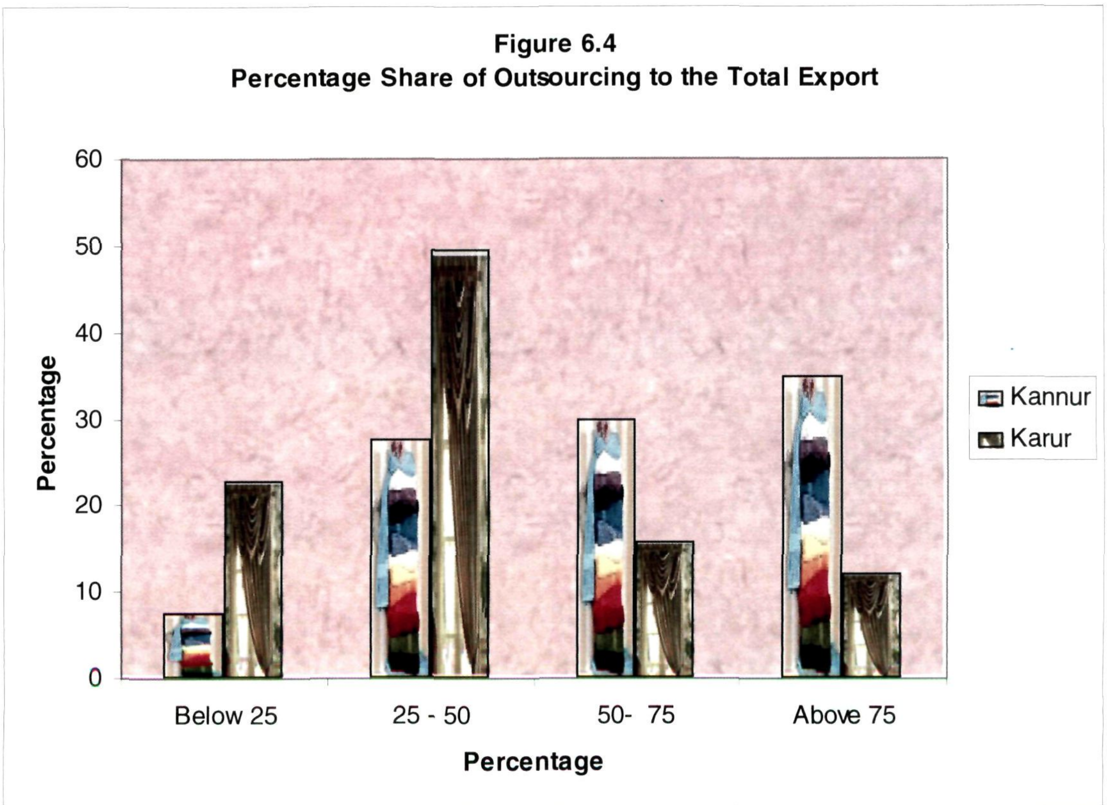
Percentage Share of Outsourcing to the Total Export

Percentage	Kannur	Karur	Total
Below 25	3 (7.50)	19 (22.89)	22 (17.89)
25 - 50	11 (27.50)	41 (49.40)	52 (42.28)
50- 75	12 (30.00)	13 (15.66)	25 (20.33)
Above 75	14 (35.00)	10 (12.05)	24 (19.51)
Total	40 (100.00)	83 (100.00)	123 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 16.6535, df=3, p=.000834

It can be seen from Table No.6.17 that, in Kannur, 14 units (35%) are outsourcing more than 75 per cent of their exports. In Karur, 41 units (49.4%) are outsourcing 25 to 50 per cent of their exports and only 10 units (12.05%) are outsourcing above 75 per cent. It is evident from the table that out sourcing is more in Kannur than in Karur. The share of outsourcing to total exports remains high in Kannur due to the absence of integrated units. The dearth of integrated units results in high lead time, high cost of production and less export orders. Since the P value is (P= .000834) less than 0.05, there exists obvious disparity in the share of outsourcing to total exports of Kannur and Karur.

Percentage share of outsourcing to the total export are presented graphically in figure 6.4.



Quality Control

Exporters of Home Furnishing Textiles are very particular in maintaining the quality of exports to the global market. To ensure the same, various measures like direct inspection, random checking, rejection of products devoid of quality standards, quality verification and lab testing are adopted by outsourcing export units.

Table No. 6.18

Measures Adopted for Quality Control in out sourcing

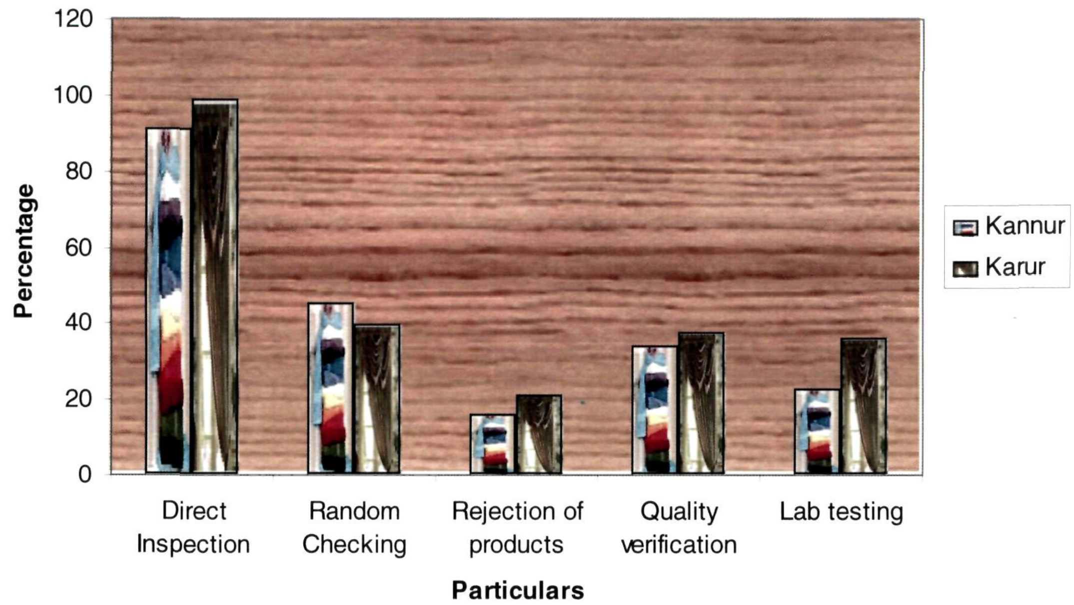
Particulars	Kannur	Karur	P value
Direct Inspection	40 (90.91)	90 (98.90)	.021190
Random Checking	20 (45.45)	36 (39.56)	.514719
Rejection of products	7 (15.91)	19 (20.88)	.492470
Quality verification	15 (34.09)	34 (37.36)	.710977
Lab testing	10 (22.73)	33 (36.26)	.113589

Source: Survey Data
Note: Figures in brackets denote percentage

The outsourcing export units of Kannur and Karur are using direct inspection as their important quality control measure. (See Table No. 6.18). Random checking and Quality verification are also used by above 30 percent firms. Lab testing and Rejection of products are also practicing by some firms (15 to 36%). In the use of Direct inspection as a control measure, Kannur and Karur firms are different, since the P value is (0.021190) less than .05. It reveals that the export units are very particular in the quality standards.

Percentage share of various measures adopted for quality control are presented graphically in figure 6.5.

Figure 6.5
Measures Adopted for Quality Control in out sourcing



Advantages of Outsourcing

Outsourcing imparts an array of advantages to the Home Furnishing Textile export units. The vital advantages of outsourcing are, lower cost, high labour efficiency, special artistic skills, Free from labour problems, flee from pollution control norms, short conversion time and modest welfare cost.

Table No. 6.19

Advantages of out sourcing

Advantages of Outsourcing	Kannur		Karur		Total	
	Score	Rank	Score	Rank	Score	Rank
Lower cost	5.91	1	6.22	1	6.119	1
High labour efficiency	3.55	5	4.49	3	4.185	4
Special artistic skill	3.52	6	3.33	6	3.393	6
Free from labour problems	5.05	2	3.78	4	4.193	3
Flee from pollution control Norms	4.27	3	3.38	5	3.674	5
Short conversion time	4.27	4	5.30	2	4.963	2
Modest welfare cost	1.43	7	1.49	7	1.474	7

Source: Survey Data

Table No. 6.19 exposes the Rank position of advantages derived from outsourcing. Lower cost is considered as the first advantage of outsourcing enjoyed by both the export firms of Kannur and Karur. They also agreed in the point of Special artistic skill and Modest welfare cost as their sixth and seventh advantages of outsourcing. Free from labour problems are the second advantage for Kannur region, but short conversion time is the second advantage of Karur region. It shows that firms of Kannur fear labour problems greater than the firms of Karur.

Role of Workers

Dyeing, Weaving, Finishing, and Stitching of made ups are the important activities of home furnishing textiles units. Technically qualified and unqualified male and female workers are working in this field. Female workers are mostly engaged in winding, weaving and stitching. They are also working in the administrative field. The ratio of workers, the number of workers, technically qualified and unqualified male and female workers, administrative qualified and unqualified male and female workers are presented in tables 6.20 to 6.24.

The male female ratio of workers of export units of Kannur and Karur are exhibiting in Table No. 6.20.

Table No. 6.20

Male Female ratio of workers

	Male	Female	Total
Kannur	56.41	43.59	100.00
Karur	46.89	53.11	100.00

Source: Survey Data

Table No. 6.20 explains the ratio of male and female workers working in the export units of Kannur and Karur. It is clear from the table that in Kannur 56.41 percentage of workers are male, where as in Karur 53.11 percentage are

female workers. The increase in percentage of male workers over female workers results in high labour cost in Kannur, whereas in Karur the female workers exceed male workers which reduce the wages bill. As wage bill constitute a major part of the cost of production, the discrepancy in wage bill diffrenciates the cost of production of Kannur and Karur.

Table No. 6.21

Technically qualified Male and Female workers

Region	Male			Female		
	No. of Workers	Average No. of workers	Standard Deviation	No. of Workers	Average No. of workers	Standard Deviation
Kannur	39	24.95	42.40	22	51.32	60.24
Karur	86	47.66	65.31	65	88.91	71.71
Total	125	40.58	59.89	87	79.59	70.59
p-value	P = 0.049036			P = 0.030025		

Source: Survey Data

The table No.6.21 reveals that the average technically qualified male workers at Kannur region is 24.95 with a standard deviation of 42.40 and that of at Karur is 47.66 with standard deviation of 65.31. The average technically qualified male workers of Kannur and Karur is 40.58 with a standard deviation of 59.89.

The result of the ANOVA test shows that, since the p-value (0.04903) is less than 0.05, there is a significant difference between Kannur and Karur region with respect to the number of qualified males working in this sector.

As far as the average technically qualified female workers, in Kannur it is 51.32 with a standard deviation of 60.24, but in Karur it is 88.9 with a standard deviation of 71.71. The average technically qualified female workers of Karur and Kannur is 79.59 with a standard deviation of70.59. The result of the ANOVA test shows that, since the p-value (0.030025) is less that 0.05, there is a

significant difference between Kannur and Karur region with respect to the number of qualified females working in this sector. From this analysis it is deduced that in Karur the technically qualified male and female workers percentage is higher than that of Kannur which creates much difference in production efficiency, cost of production and profit margin.

Table No. 6.22

Technically Unqualified Male and Female workers

Region	Male			Female		
	No. of Workers	Average No. of workers	Standard Deviation	No. of Workers	Average No. of workers	Standard Deviation
Kannur	28	39.89	49.72	21	37.67	36.02
Karur	66	35.76	38.12	63	59.86	46.48
Total	94	36.99	41.67	84	54.31	44.95
p-value	P = 0.662369			P = 0.049456		

Source: Survey Data

The table No.6.22 disclosed that the average technically unqualified male workers at Kannur region are 39.89 with a standard deviation of 49.72 and that of at Karur is 35.76 with standard deviation of 38.12. The average technically unqualified male workers of Kannur and Karur are 36.99 with a standard deviation of 41.67.

The result of the ANOVA test shows that, since the p-value (0.662369) is more than 0.05, there is no significant difference between Kannur and Karur region with respect to the number of unqualified males working in this sector.

As far as the average technically unqualified female workers, in Kannur it is 37.67 with a standard deviation of 36.02, but in Karur it is 59.86 with a standard deviation of 46.48. The average technically unqualified female workers of Karur and Kannur is 54.31with a standard deviation of 44.95. The result of

the ANOVA test shows that, since the p-value (0.049456) is less than 0.05, there is a significant difference between Kannur and Karur region with respect to the number of unqualified females working in this sector. The labour cost of Karur decreases due to the high percentage of unqualified female workers than that of Kannur.

Table No. 6.23

Administrative qualified Male and Female workers

Region	Male			Female		
	No. of Workers	Average No. of workers	Standard Deviation	No. of Workers	Average No. of workers	Standard Deviation
Kannur	38	9.58	10.69	11	8.82	14.63
Karur	82	18.82	15.74	23	10.65	8.91
Total	120	15.89	14.93	34	10.06	10.89
p-value	P = 0.001362			P = 0.653022		

Source: Survey Data

The table No.6.23 unveils the average administrative qualified male workers at Kannur region are 9.58 with a standard deviation of 10.69 and that of at Karur is 18.82 with standard deviation of 15.74. The average administrative qualified male workers of Kannur and Karur are 15.89 with a standard deviation of 14.93.

The result of the ANOVA test shows that, since the p-value (0.001362) is less than 0.05, there is significant difference between Kannur and Karur region with respect to the number of qualified males working in this sector. It shows that in Kannur, qualified administrative male workers are not appointed as the administration is carried out by the owners themselves. This results in low professional expertise, which leads to little international exposure and lower export orders to the Kannur export units.

As far as the average administrative qualified female workers, in Kannur it is 8.82 with a standard deviation of14.63, in Karur it is 10.65 with a standard deviation of 8.91. The average technically unqualified female workers of Karur and Kannur are 10.06 with a standard deviation10.89. The result of the ANOVA test shows that, since the p-value (0.653022) is more than 0.05, there is no significant difference between Kannur and Karur region with respect to the number of qualified females working in the administrative sector.

Table No. 6.24

Administrative unqualified Male and Female workers

Region	Male			Female		
	No. of Workers	Average No. of workers	Standard Deviation	No. of Workers	Average No. of workers	Standard Deviation
Kannur	21	9.71	11.62	3	12.33	11.68
Karur	55	14.91	9.18	8	24.50	51.07
Total	76	13.47	10.10	11	21.18	43.42

Source: Survey Data

The table No.6.24 exposes that, the average administrative unqualified male workers at Kannur region are 9.71 with a standard deviation of 11.62 and that of at Karur is 14.91 with standard deviation of 9.18. The average administrative unqualified male workers of Kannur and Karur are 13.47 with a standard deviation of 10.10.

The result of the ANOVA test shows that, since the p-value (0.044268) is less than 0.05, there is significant difference between Kannur and Karur region with respect to the number of unqualified males working in this sector. This result confirms the fact that in Karur the male workers are ready to do any type of work irrespective of the nature of work unlike their counterparts in Kannur.

As far as the average administrative unqualified female workers, in Kannur it is 12.33 with a standard deviation of 11.68, in Karur it is 24.50 with a

standard deviation of 51.07. The average administrative unqualified female workers of Karur and Kannur are 21.18 with a standard deviation 43.42. The result of the ANOVA test shows that, since the p-value (0.701304) is more than 0.05, there is no significant difference between Kannur and Karur region with respect to the number of unqualified females working in the administrative sector.

Casual workers

The production of export firms fluctuates violently according to the export orders. To tide over the emergency situation, the firms usually adopt labour outsourcing or appointing casual workers. Integrated firms are hiring casual workers to reduce the lead time whereas non integrated firms resort to labour outsourcing. The firms can escape from all types of welfare measures like Provident fund contribution, Gratuity, ESI etc. to be provided to the permanent workers. Casual workers are usually paying at a lower rate than the ordinary workers. The low rate of wages and the temporary nature of work prevailing in this industry is a central factor for the scarcity of workers. The average number of casual workers hired by the export firms is specified in Table No.6. 25.

Table No. 6.25

Average Number of casual workers per year

Region	Number	Mean	SD	p-level
Karur	91	4890.93	9480.83	**0.005803**
Kannur	44	819.16	2302.61	
Total	135	3563.84	8108.16	

Source: Survey Data

The average number of casual workers employed per year by the export firms of Kannur is only 819, where as in Karur it amounted to 9481. The result of the ANOVA test shows that, since the p-value (0.005803) is less than 0.05,

there is significant difference between Kannur and Karur in the use of casual workers. It indicates that in Kannur most of the workers of the export firms are permanent, so their labour costs are higher than the export firms of Karur.

Working hours

In Karur, working time extends from 9.15 a.m. to 7 p.m. with two tea-breaks of 15 minutes each and a lunch break of 1.15 hours. In Kannur, the working time extends from 8.30 am to 5.30 p.m. with two tea- breaks of 15 minutes each and a lunch break of 1 hour.

In Karur the workers are working eight hours per day, but at Kannur the total working time is seven and half hours. The extra working time and more time for lunch break are one of the various factors which influence the productivity of the export units of Karur. But in Kannur, the loss of half an hour's work per worker per day through out the year creates a much difference in total labour productivity and cost of production of the export goods.

Methods of Wage Payment

The basic methods of wage payment are time rate and piece rate. In time rate method, the wage rate per hour is fixed and in piece rate, the wage rate per unit is fixed. Total wages are calculated on the basis of hourly rate or unit rate as the case may be. Time rate is followed to maintain the quality of the product, where as piece rate is suitable to increase the productivity. The method of wage payment followed by the export units is given in Table No.6.26.

Table No. 6.26

Methods of Wage Payment

Method of wage payment	Number of Units		
	Kannur	Karur	Total
Time rate	14 (31.82)	27 (29.67)	41 (30.37)
Piece rate	3 (6.82)	2 (2.20)	5 (3.70)
Time and Piece rate	27 (61.36)	62 (68.13)	89 (65.93)
Total	44 (100.00)	91 (100.00)	135 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 1.9606

The study revealed that (see Table No. 6.26) 27 units of Kannur (61.36%) are following both time rate and piece rate for wages calculation and almost an equal percentage of units in Karur (68.13%) are following the same system of wage payment. Since P value is (P=1.9606) more than 0.05, there is no significant difference between Kannur and Karur regarding the methods of wage payment.

Retirement Benefits and Welfare Measures

In Kannur, the labourers are well organised and they are entitled to minimum wage, variable dearness allowance, paid holidays, bonus, and welfare fund contributions in all units irrespective of their size. In factory units including co-operative societies, provident fund contribution, gratuity, employee's state insurance etc. are applicable. Besides, to promote labour welfare the government of Kerala constituted the Handloom Workers Welfare Fund under the Kerala Handloom Workers Welfare Act, 1989. All the workers in the handloom sector and self employed handloom workers are the beneficiaries of this scheme. The fund is mobilised from the contributions of handloom workers and employers at

the rate of Rs.3 per month and Rs. 6 per month respectively. The self employed workers should contribute at the rate of Rs. 5 per month. An equal amount of contribution by the government is provided as a matching grant. As on 31 -3-2006, the number of registered workers was 41525 and the self employed workers are 7982. The welfare fund is utilised for various schemes like, retirement pension, ex - gratia benefit, death relief and refund of contributions to the dependents of the deceased, marriage assistance, education grant, gold medal and cash award to two top scorers in the S.S.L.C. examination. Monthly pension of Rs. 110 is granted to those workers who have completed 60 years of age. There are 7960 pensioners in the state who are enjoying this benefit.

The welfare friendly attitude of the government and the employers has ultimately resulted in spurt in labour cost in Kannur. As against this, most of the workers of Karur are unorganised and hence deprived and marginalised from the ambit of welfare measures. Consequently, the labour cost is relatively low in Karur. Table No.6.27 and 6.28 reveals the retirement benefits and welfare measures to workers in Kannur and Karur.

Table No. 6.27

Retirement Benefits to workers

Type of Benefits	Kannur	Karur
Gratuity	40 (97.56)	79 (86.81)
Provident Fund	40 (97.56)	79 (86.81)
Handloom Workers Welfare Fund Board Pension	44 (100.00)	0 (00.00)
No Benefit	0 (0.00)	12 (13.19)

Source: Survey Data
Note: Figures in brackets denote percent age

Table No.6.27 exposes that, out of 44 units of Kannur only 4 (9.76%) units are totally denying retirement benefits, but in Karur out of 91 units 12 (13.19%) units are denying retirement benefits. Handloom Workers Welfare Fund Board pension is applicable only to the handloom workers of Kerala and not for Tamilnadu. It is crystal clear that the units of Kannur are giving more retirement benefits to the employees than the units in Karur. Kannur is more labour –friendly and welfare oriented than Karur. Hence the committed welfare expenditure increases the cost of production in Kannur than Karur. This situation is represented graphically in figure No. 6.6

Figure 6.6
Retirement Benefits to workers

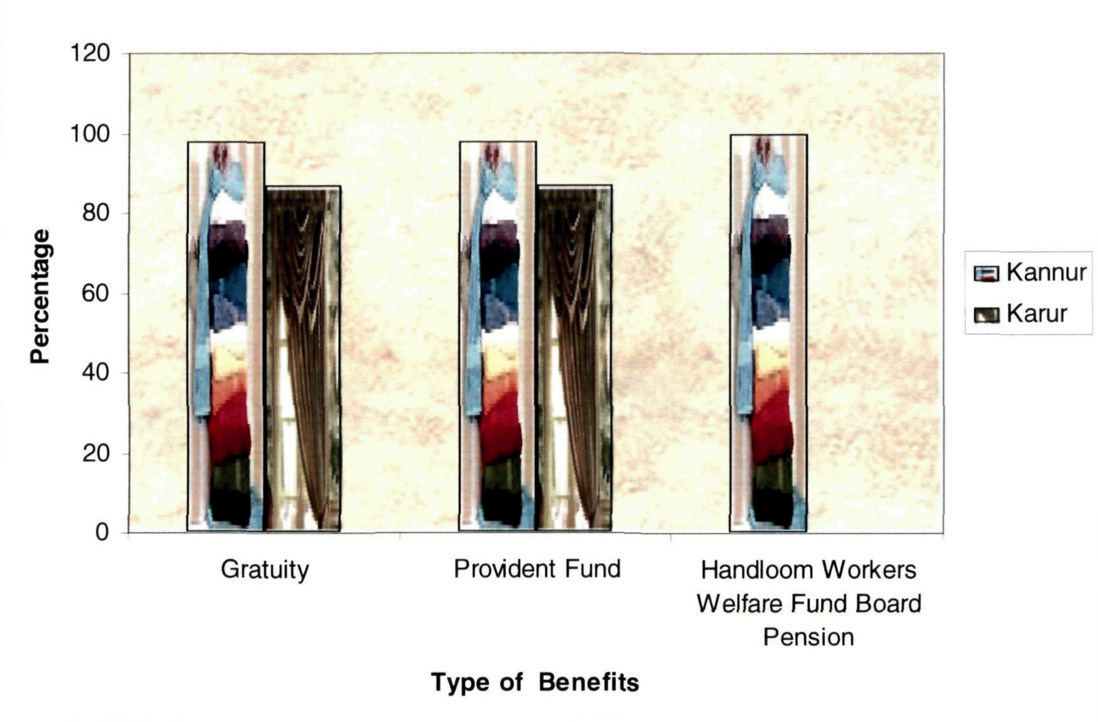


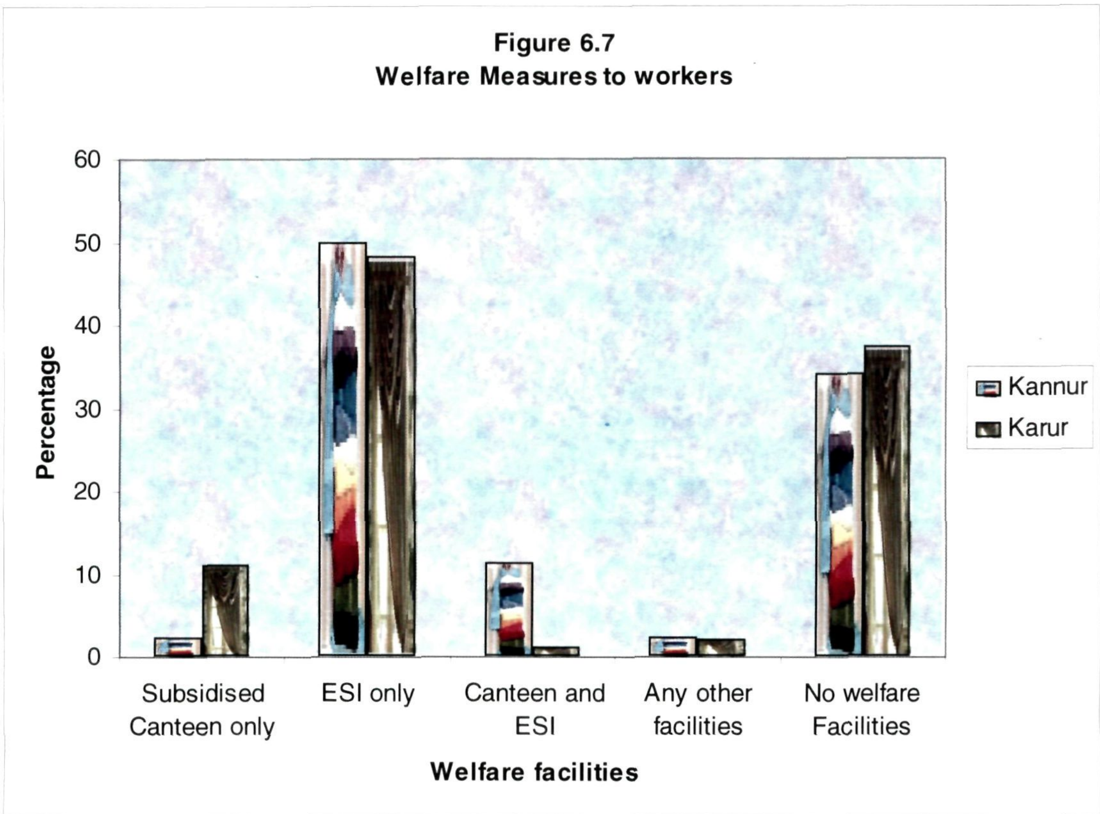
Table No. 6.28

Welfare Measures to workers

Welfare facilities	Kannur	Karur
Subsidised Canteen only	1 (2.27)	10 (10.99)
ESI only	22 (50.00)	44 (48.35)
Any other facilities	1 (2.27)	2 (2.20)
Canteen and ESI	5 (11.36)	1 (1.10)
No welfare Facilities	15 (34.09)	34 (37.36)
Total	44 (100)	91 (100)

Pearson Chi-square: 9.90148, df = 4, p=.042142
Source: Survey Data
Note: Figures in brackets denote percentage

In providing welfare facilities to workers, export firms of Kannur are more advanced than Karur (See Table No. 6.28). In Kannur 5 units (11.36 percent) are providing both ESI and Subsidised canteen, but in Karur it is only one unit. In Kannur 15 units (34.09 percent) are not providing any welfare facilities, in the case of Karur it is 34 units (37.36percent) Since the P value (P = .042142) is lesser than 0.05, the difference is significant in providing welfare facilities to the employees in Kannur and Karur. The dissimilar welfare benefits will also increase the cost of labour followed by increase in cost of production in Kannur than Karur. The deviation of percentage share of welfare measures is represented in Figure 6.7.



Paid Holidays

The numbers of paid holidays are limited to 13 per year. There may be some regional variations in the number of paid holidays. The Table No.6.29 exposed the number of paid holidays allowed by the export firms of Kannur and Karur.

Table No. 6.29

Number of Paid Holidays per Year

Number of days	Region		
	Kannur	Karur	Total
Below 13	0 (0.00)	8 (8.79)	8 (5.93)
13	44 (100.00)	71 (78.02)	115 (85.19)
Above 13	0 (0.00)	12 (13.19)	12 (8.89)
Total	44 (100.00)	91 (100.00)	135 (100.00)
Pearson Chi-square: 11.3521, df=2, p=.003430			

Source: Survey Data
Note: Figures in brackets denote percentage

The number of paid holidays per year (see table No.6.29) is 13 for all the exporting units of Kannur. In Karur most of the units (78.02 percent) are allowing 13 days, but there is a variation in the case of 20 units (21. 98 percent), which includes eight units with less than 13 days and 12 units with more than 13 days. When the numbers of paid holidays are more, the cost of production will increase. Since the P value is (P= .003430) lesser than 0.05, the difference is significant.

The hypothesis "Welfare measures towards labourers of Home Furnishing Textiles in Kannur and Karur are identical" is rejected on account of the variations in working hours, method of wage payment, retirement and welfare benefits to workers and paid holidays.

Professional Management

The home furnishing textile export units of Kannur and Karur are functioning as partnership firms. Most of the firms are managed by the family members as they are the partners of the business. But Professional Management

is an imperative factor for the better performance of the firms especially for the exporting firms in the free trade regime. Table No.6.30 illustrates the use of Professional Management in the export firms of Kannur and Karur.

Table No. 6. 30

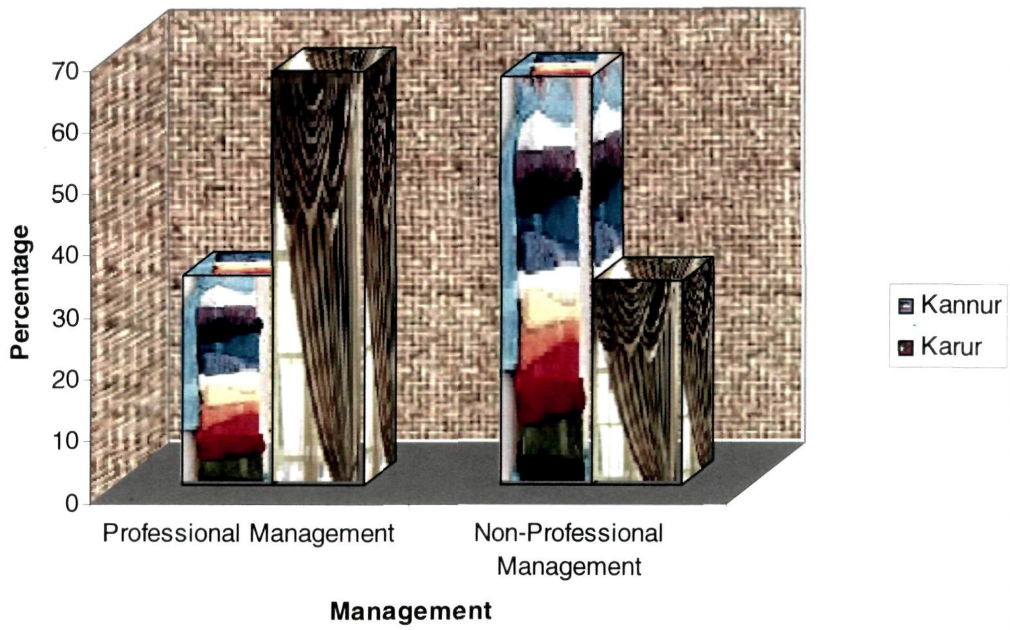
Adaptation of Professional Management

Particulars	Number of Units		
	Kannur	Karur	Total
Professional Management	15 (34.09)	61 (67.03)	76 (56.30)
Non-Professional Management (Family Management)	29 (65.91)	30 (32.97)	59 (43.70)
Total	44 (100.00)	91 (100.00)	135 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 13.0817, df=1, p=.000299

The survey revealed that in Kannur nearly two-third units (65.91%) are not embracing professional management in production and marketing whereas in Karur two-third of total units (67.03%) are accepting the advantage of professional management and have the benefit of high productivity and lower unit cost (see Table No.6.30). In Kannur, the management is more of a family type, which has resulted in fewer competence, low productivity and bigger cost per unit of output compared to units in Karur. Since the P Value is (P= .000299) less than 0.05 there is significant variation in adaptation of management between export units of Kannur and Karur. The divergence of percentage share of adaptation of professional management is symbolising in Figure 6.8.

Figure 6.8
Adaptation of Professional Management



Execution of Export Orders

Execution of orders in time is very essential in the export trade, especially in the case of Home textile sector, where fashion will change very regularly. Labour problems in the firms and ports, less vessel connectivity are the reasons confirmed by the export firms for the failure in executing the orders in time. There are only four export firms' experienced failures in executing the orders in time and it is stated in Table No.6.31.

Table No 6. 31

Timely Execution of Export Orders

Respondents opinion	Kannur	Karur
Execution of Orders in time	40 (90.91)	91 (100)
Not always in time	4 (9.09)	0 (0.00)
Total	44 (100.00)	91 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 8.52533, df=1, p=.003505

The survey revealed that, in Karur, 100 percent of export orders were executed in time whereas in Kannur at least 10 percent cases were not able to export in time. The respondents opined that in Karur the workers were ready to stay overnight until the entire export orders are executed. Such type of duty consciousness was absent in the case of employees in Kannur in spite of offering better welfare measures. As the P value is (P = .003505) lesser than 0.05, there is much difference between the export units of Kannur and Karur with regard to the execution of export orders in time. The discrepancy of percentage share of timely execution of export orders is showing in Figure 6.9.

Exporting Units with Brand Name

Brand names are used as a value addition strategy for any type of products. In western countries this marketing tactics is more popular. But in India this brand approach is not yet properly exploited.

Table No.6.32

Exporting Units with Brand Name

Particulars	Kannur	Karur
No. of Export units with Brand name	2 (4.55)	3 (3.30)
No. of Export units with out Brand name	42 (95.45)	88 (96.70)
Total	44 (100.00)	91 (100.00)

Source: Survey Data

Note: Figures in brackets denote percentage

Pearson Chi-square: .129678, df=1, p=.718768

Most of the exporters are not using brand name for exports. Table No.6.32 exposed the position of export units in using brand name. Two units of Kannur and Three units of Karur are exporting under a brand name. Since the P value is (P =.718768) greater than 0.05 there is not much variance in the use of Brand name between the export units of Kannur and Karur. Exports with out brand names will not increase the goodwill and price of the products. In the world of retail boom the use of brand name will bring more customers and popularise the product in the domestic and international market.

Table No. 6.33

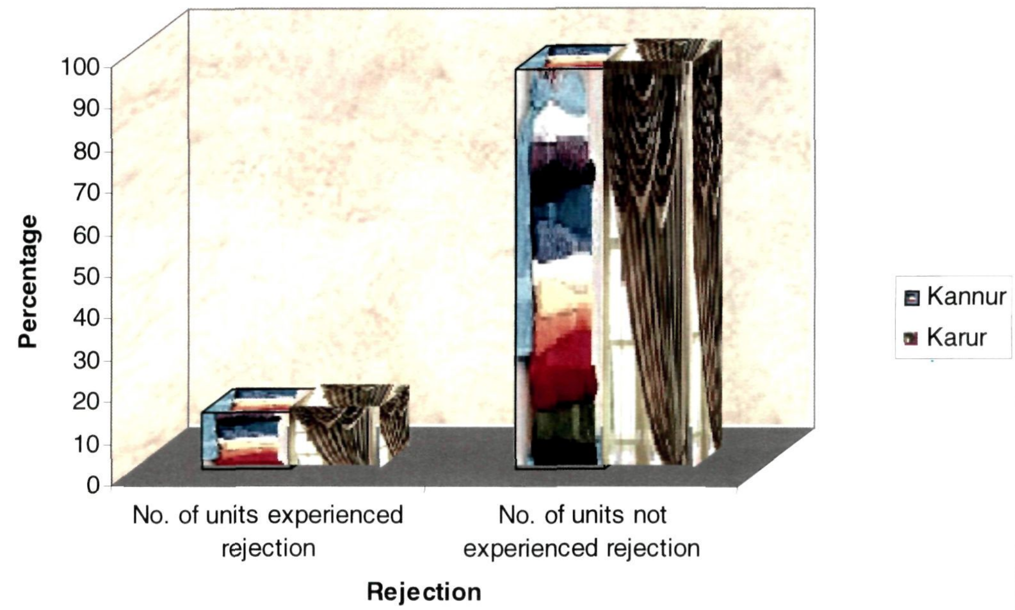
Rejection of Goods by Importers

No. of Units	Kannur	Karur	Total
No. of units experienced rejection	6 (13.64)	13 (14.29)	19 (14.07)
No. of units not experienced rejection	38 (95.45)	78 (96.70)	116 (85.93)
Total	44 (100.00)	91 (100.00)	135 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: .010341, df =1, p=.919002

Table No. 6.33 illustrates that, six units (13.64%) of Kannur and almost an equal percentage of units (14.29%) of Karur experienced rejection of goods exported. So there is no significant difference between the exporting units of Kannur and Karur in the case of rejection of goods. P value (P = .919002) also shows the same result. From this it is deduced that exporters of Kannur and Karur are exporting standardised quality goods. The disagreement of percentage share of rejection of goods by importers is indicating in Figure 6.10.

Figure 6.10
Rejection of Goods by Importers



Competitors of World Market

In the world Textile and Clothing market, China stands in the top of the exporters list. India stands in the second place but it is a distant second. Exporters' judgment regarding the competitors will show their awareness about the world scenario. The exporters' opinion about the competitors in the world market and the facets of competition are exposed in Table No. 6.34, and 6.35 respectively.

Table No. 6.34

Exporters View about Competitors of World Market

Competitors	Kannur	Karur
China	42 (95.45)	88 (96.70)
Pakistan	22 (50.00)	62 (68.13)
Bangladesh	9 (20.45)	35 (38.46)
Turkey	3 (6.82)	7 (7.69)
Taiwan	0 (0.00)	1 (1.10)
USA	0 (0.00)	1 (1.10)

Source: Survey Data
Note: Figures in brackets denote percentage

Majority of the respondents in Kannur and Karur opined that China is the main competitor in the world market followed by Pakistan and Bangladesh. Table No.6.34 established the fact that, the exporters of Kannur and Karur are fully conscious about the situation in the world market, so they can plan well to face the competition in the free trade regime.

Table No. 6.35

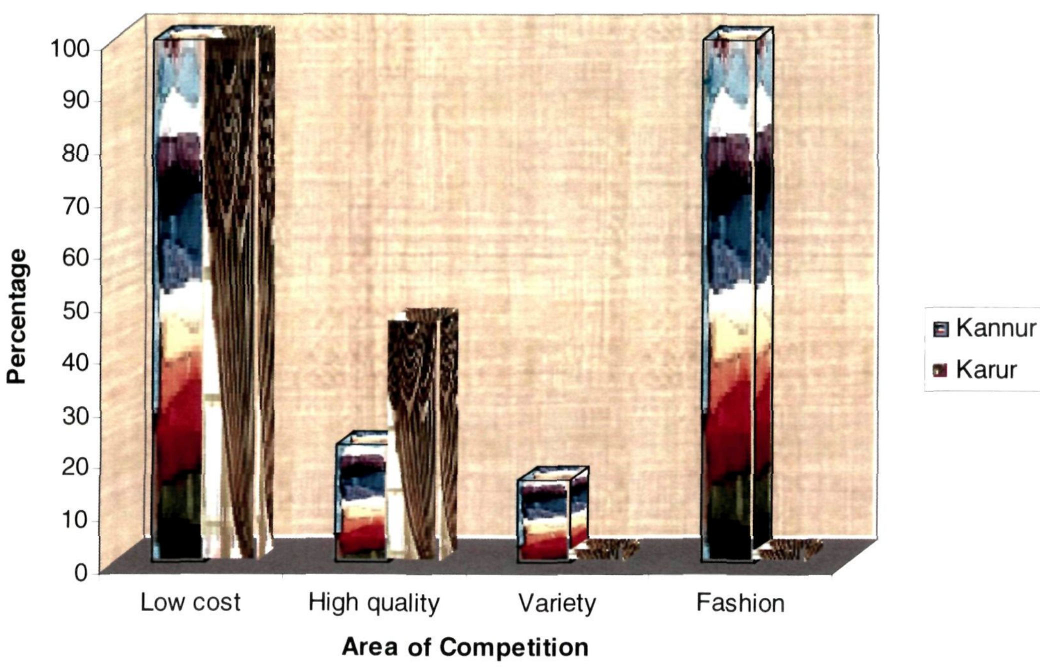
Facets of Competition

Area of Competition	Kannur	Karur
Low cost	44 (100.00)	91 (100.00)
High quality	10 (22.73)	42 (46.15)
Variety	7 (15.91)	2 (2.20)
Fashion	44 (100.00)	2 (2.20)

Source: Survey Data
Note: Figures in brackets denote percentage

All the units in Kannur and Karur opined that one of the major constraints in the export front is low cost (See Table No.6.35). Further all the respondents in Kannur expressed their view that fabulous fashion of competitor's products is another restraint in exporting to international market. Almost half of the (46.15%) respondents of Karur were of the view that, they are experiencing competition in the export market in quality stipulations. The exporting firms of Kannur must improve their fashion, design, etc. on the other hand; the firms of Karur must improve their quality to face the competition effectively. Percentage share of different facets of competition are presented graphically in figure 6.11.

Figure 6.11
Facets of Competition



The impact of ATC Regime and the Changes in Export

The study period was confined to 10 years from 1995 to 2004, which covers the Agreement on Textile and Clothing regime or Quota Phase out Regime. To study the changes occurred in the home furnishing textile export front of Kannur and Karur during this period is the main objective of the study. The impact of ATC regime on home textile exports and the changes in the nature of export are depicting in Table No. 6.36 and 6.37.

Table No. 6.36

Impact of ATC Regime on Export Units

Opinion of Respondents	Kannur	Karur	Total
Very High	0 (0.00)	2 (2.20)	2 (1.48)
High	3 (6.82)	14 (15.38)	17 (12.59)
Neutral	31 (70.45)	53 (58.24)	84 (62.22)
Low	8 (18.18)	17 (18.68)	25 (18.52)
Very Low	2 (4.55)	5 (5.49)	7 (5.19)
Total	44 (100.00)	91 (100.00)	135 (100.00)

Source: Survey Data
Note: Figures in brackets denote percentage
Pearson Chi-square: 3.46191, df=4, p=.483705

Nearly three-fourth of (70.45%) exporting units in Kannur and Two-third units (58.24) in Karur opined that there would not be a considerable positive impact of Globalisation. (See Table No. 6.36). Since the P value is (P= .483705) greater than 0.05, there is no significant difference in the opinion of exporters of Kannur and Karur with regard to the positive impact of the ATC regime. The impact of Globalisation was same for the exporting units of Kannur and Karur.

Table No. 6.37

Changes in Export during the ATC Regime

Changes in Quantity and Price	Kannur	Karur	Total
Increase in the quantity of export	3 (6.82)	0 (0.00)	3 (2.22)
Decrease in the quantity of export	1 (2.27)	0 (0.00)	1 (0.74)
Decrease in the price of the product	1 (2.27)	0 (0. 00)	1 (0.74)
Increase in the quantity of export and Decrease in the price of the product	19 (43.18)	84 (92.31)	103 (76.30)
Decrease in the quantity of export and increase in the price of the product	0 (0.00)	1 (1.10)	1 (0.74)
Decrease in the quantity of export and Decrease in the price of the product	20 (45.45)	6 (6.59)	26 (19.26)
Total	44 (100.00)	91 (100.00)	135 (100.00)

Pearson Chi-square: 43.4629, df =5, p=.000000
Source: Survey Data
Note: Figures in brackets denote percentage

During the quota phase out regime 84 exporters (92.31 percent) of Karur, (see table No.6.37) viewed that there is an increase in the quantity of exports and decrease in the price of the product. In contrast, only 19 exporters (43.18 percent) of Kannur agreed with this fact. In Kannur, 20 exporters (45.45 percent) opined that, the price as well as the quantity decreased during the quota phase out regime. It shows that, Kannur is facing the problem of reduction in prices and quantity of exports but Karur is facing only the problem of price reduction.

As the P value is 0.000000, there is much difference in the price and quantity of exports of the two regions after the quota regime. The impact of Globalisation inflicted a big shock to Kannur home textile export units than that of Karur.

Export promotion strategies

The Government of India and Ministry of Textiles are offering a number of export promotional measures to the Textile and Clothing exporting units. These measures are common to the home furnishing units of Kannur and Karur. The individual firms should adopt their own Export promotion strategies for a better export performance. Quality Certification is an important strategy for export business. As per the Exim Policy the manufacturers/ processors who have acquired the quality status of ISO 9000 (series) or IS/ISO 9000 (series) or ISO 14000 (Series) or HACCP Certification or WH-GMP Certification have been made eligible for the grant of Special Import Licenses (SIL) at the rate of 5% of the FOB value of export of goods and services with the aforesaid Quality Certification.

The ISO- 9000 Quality Management Systems (QMS) and the ISO – 14000 environmental management systems (EMS) standards are emerged as the key elements in view of the growing environmental and quality concerns. Social Accountability 8000 (SA- 8000) is the international standard for management systems dealing with the working conditions related to the quality of the life of a workman. Indian textile exporters are under pressure from their western buyers to get their units certified under the SA 8000. “Ethical sourcing” of goods has become one of the most important corporate strategies in today’s business environment. Occupational Health and Safety Assessment Series (OHSAS-18001) is also an international standard compatible with the ISO 9001 and ISO-14001 management system standards. Under this standard, a company will have to comply with the national laws relating to occupation, health and safety. The issues covered under this standard are, general requirement, occupational health and safety policy, planning, implementation and operation, checking and corrective action, and management review. Implementation of this standard will lead to a better working environment and in turn to an enhanced productivity and efficiency. Participation in International Trade Fairs, Membership in Clusters/

Consortium and Creation of Web Sites etc. will improve the export performance. Table No. 6.38 exhibits the export strategies adopted by the export firms of Kannur and Karur.

Table No. 6.38

Types of Export Promotion Strategies

Export Promotion Strategies	Kannur	Karur	Total
ISO 9001 : 2000	18 (40.91)	55 (60.44)	73 (54.07)
ISO 14001	2 (4.88)	7 (7.69)	9 (6.67)
SA 8000	3 (6.82)	12 (13.99)	14 (10.37)
OHSAS – 18001	0 (0.00)	5 (5.49)	5 3.70)
Participation in International Trade Fairs	26 (59.09)	71 (78.02)	97 (71.85)
Membership in Clusters/ Consortium	10 (22.73)	61 (67.03)	71 (52.59)
Creation of Web Sites	23 (52.27)	75 (82.42)	98 (72.59)

Source: Survey Data
Note: Figures in brackets denote percentage

The export promotion strategies implemented by the export units of Kannur and Karur are exposed in Table No.6.38. In obtaining international certificates like ISO 9000, ISO14000, SA 8000, OHSAS etc. Karur firms are more sophisticated than Kannur firms. The Karur export firms are more fascinated in adopting all the export promotional strategies to enhance their exports whereas the Kannur exporters are hesitant to embrace these measures. The vibrant export promotion strategies implemented by Karur exporters ease them to gain more export orders than Kannur exporters.

Importing countries

Indian Home Furnishing Textile products are enjoying a wider international market and are imported by a host of world countries. Home furnishing textile units are exporting their products mainly to the European countries, United States, Middle East countries and African Countries. The demand for home furnishing goods is influenced by an array of factors like customs, seasons, fashion, price, colours, taste and preferences, festivals, quality etc. The export units which are more flexible as well as able to execute orders in time and adapt these changes swiftly can only survive in the international market. The principal importing countries from Kannur and Karur are affirmed in Table No. 6.39.

Table No. 6.39

Importing Countries

Importing Countries	Kannur	Karur	Total
Australia	23 (52.27)	40 (43.96)	63 (46.67)
Canada	4 (9.09)	30 (32.97)	34 (25.19)
EU	37 (84.09)	87 (95.60)	124 (91.85)
USA	30 (68.18)	63 (69.23)	93 (68.89)
ASIAN Countries	23 (52.27)	16 (17.58)	39 (28.89)
SW	0 (0.00)	1 (1.10)	1 (0.74)
African Countries	1 (2.27)	3 (3.30)	4 (2.96)

Source: Survey Data
Note: Figures in brackets denote percentage

Table No.6.39 presents the list of countries importing from Kannur and Karur. EU, USA, Australia, and Asian countries are the major importing countries from Kannur. Above 50 percent of units are supplying made ups to

these countries. EU, USA, Australia, Canada, and Asian countries are the principal importers of made ups from Karur. EU and USA are the main customers of both Kannur and Karur. Besides, 30 units of Karur exports to Canada and 3 units to African countries. Whereas, in Kannur only 4 units exports to Canada and 1 unit to African countries. This shows that Karur exporters are having more international market access than Kannur, due to their excellent marketing strategy. Since the principal made up markets for Kannur and Karur are identical, the exporters of Kannur are experiencing neck to neck competition from Karur and additional competitors in the global market.

Problems in the Export Front

The exporters are facing a number of problems with regard to the exports. The main problems were classified into nine. Weightage were given to each problem and the ranks are calculated. The problems and their ranks are revealed in Table No. 6.40. The export firms of Kannur and Karur are facing almost the same problems with the same rank.

Table No. 6.40

Problems in the Export Front

Problems	Kannur		Karur		Total	
	Score	Rank	Score	Rank	Score	Rank
Competition in the world market	334	1	648	1	982	1
Decreasing Government incentives	332	2	646	2	978	2
Price variation	311	3	586	3	897	3
Declining margin	255	4	436	4	691	4
High shipment freight	96	8	317	8	413	8
Less vessel connectivity	89	9	281	9	370	9
Scarcity of skilled labour	158	7	428	5	586	6
Small size of orders	196	6	346	7	542	7
Exchange rate variation	209	5	407	6	616	5

Source: Survey Data

Table No.6.40 discloses the problems of the exporters in the export front in their rank order. The first four problems of the exporters are similar in Kannur and Karur in their ranking. Likewise, the fifth, eighth and nineth problems are also showing the same trend in two regions. The ranks disagree only in the case of scarcity of skilled labour and size of the orders. Hence, the Home furnishing textile exporters are facing parallel problems with the same rank scores. Competition in the world market is considered as the most imperative problem in the export front by the exporters of Kannur and Karur.

Future Prospectus of Home Furnishing Industry

The international and domestic markets for Home Furnishing Textiles are increasing at a vibrant rate. Consequently the future of the Home Furnishing Industry is brilliant. Table No.6.41 exhibits the opinion of exporters of Kannur and Karur about the future of Home Furnishing Industry in Kannur and Karur.

Table No. 6.41

Future Prospectus of Home Furnishing Industry

Opinion of Respondents	Kannur	Karur	Total
Better Performance	7 (15.91)	42 (46.15)	49 (36.30)
Same performance	37 (84.09)	40 (43.96)	77 (57.04)
Worst Performance	0 (0.00)	9 (9.89)	9 (6.60)
Total	44 (100.00)	91 (100.00)	91 (100.00)

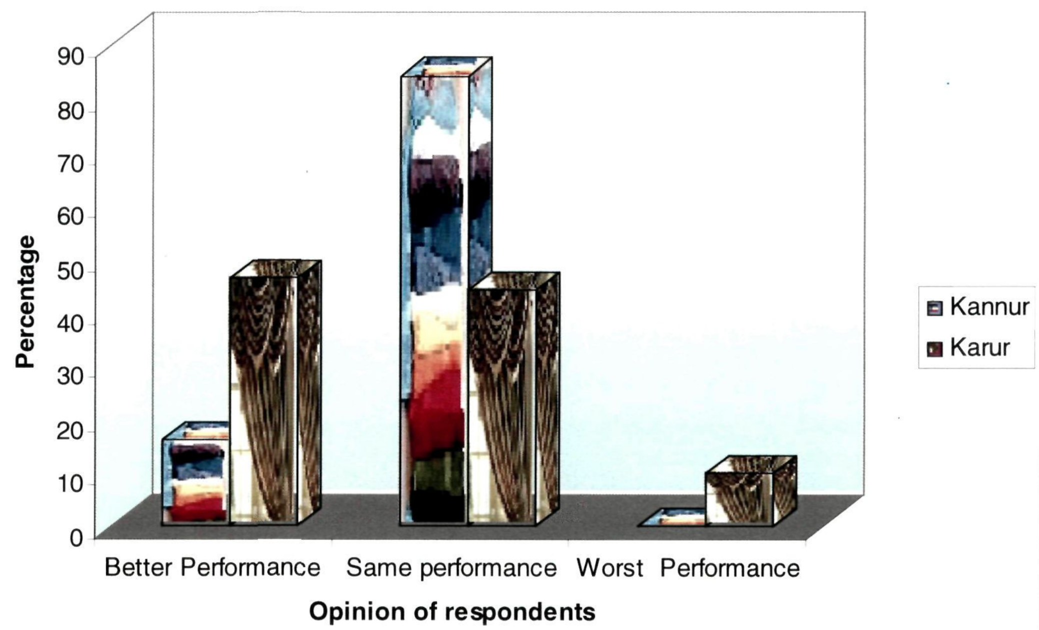
Source: Survey Data
Note: Figures in brackets denote percentage

The survey result as exposed in Table No.6.41states that, in Karur 42 units (46.15%) are optimistic and anticipating the future prospects of export business as bright whereas, in Kannur only 7 units shared this view. 40 units of Karur (43.96%) and 37 units (84.09%) of Kannur are of the view that in the free

trade regime, the performance level is more or less same. 9 units of Karur (6.60%) are expecting most horrible performance for the future.

Future Prospectus of Home Furnishing Industry as highlighted in Table No.6.41 is also depicting in Figure 6.12.

Figure 6.12
Future Prospectus of Home Furnishing Industry



The exporters of Kannur are not showing an optimistic outlook towards export business but the exporters of Karur are cheerful about the future prospectus of the Home Furnishing Industry of Karur. Hence, the hypothesis 'The future prospects of Home Furnishing Textiles at Kannur and Karur are promising' is rejected.

Table No. 6.42

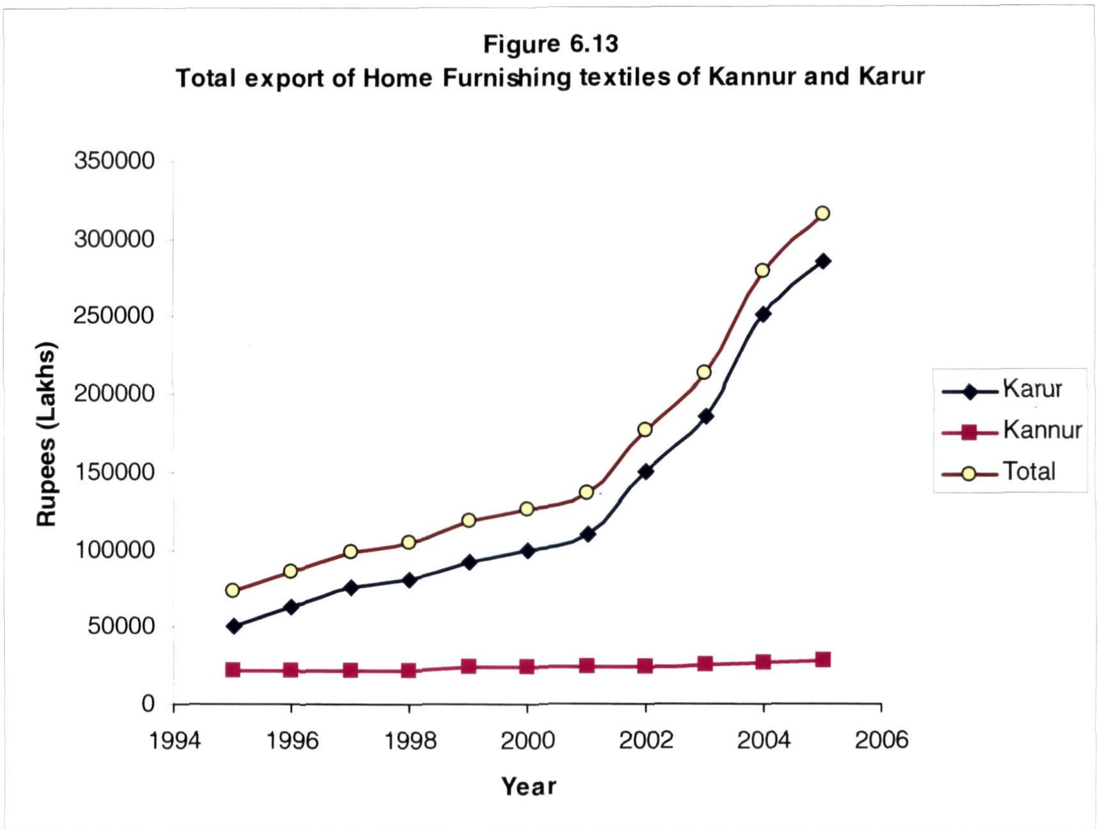
Total export of Home Furnishing textiles of Kannur and Karur during the ATC Regime

(Rs. In Lakhs)

Year	Karur	Kannur	Total
1995	50000.00	21000.00	72995
1996	62500.00	21000.00	85496
1997	75000.00	21500.00	98497
1998	80000.00	22000.00	103998
1999	92500.00	23500.00	117999
2000	100000.00	23600.00	125600
2001	110000.00	23700.00	135701
2002	150000.00	24000.00	176002
2003	185000.00	25500.00	212503
2004	250000.00	26000.00	278004
CAGR	**17.46**	**2.16**	**14.31**

Source: Survey Data obtained from the office of Manufacturers and Exporters' Association of Kannur and Karur – 2006.

The data of total annual exports of Home textiles from Kannur and Karur for the period 1995 to 2004 is exposed by table No.6.42. The Compound Annual Growth Rate (CAGR) of Kannur during this period was only 2.16, where as it is 17.46 in Karur. Total growth of export in Kannur and Karur are represented in Figure 6.13. Export growth of Kannur is showing a constant trend where as in Karur it is showing an upward trend during the phase out of quota regime. Hence, the hypothesis "The export performance of Karur is better than Kannur during the phase out of Quota Regime" is accepted.



Average exports and Profit of Export units

The export units under study are all partnership firms. So they are not ready to provide the exact data of sales and profits. Only an approximate sales value and profits in percentage were given. The sales value and percentage of profit was collected for the years before 1995 and after 2004 because; the quotas were phased out during 1995 to 2004. From 1st January 2005 onwards there were no quota restrictions for Textile and Clothing exports. After the removal of quotas, the international prices were reduced and there was some squeezing in the profit margin of Textile and Clothing industry. The CAGR of exports and profits were calculated and presented in Table No.6.43 and 6.44.

Table No. 6. 43

Average export of Home textiles of Kannur and Karur from 1991 to 2005

	Kannur			Karur			Total		
Year	Number	Mean	SD	Number	Mean	SD	Number	Mean	SD
1991	20	264.10	297.30	45	574.93	1422.96	65	479.29	1199.67
1992	20	316.30	334.15	55	628.42	1415.63	75	545.19	1228.97
1993	21	348.12	367.31	56	680.82	1472.2	77	590.08	1275.24
1994	21	394.56	378.27	56	761.13	1567.58	77	661.15	1357.56
1995	24	459.54	378.87	63	771.08	1574.66	87	685.14	1358.52
1996	32	452.42	407.09	70	877.81	1801.55	102	744.36	1519.04
1997	36	452.96	437.77	73	955.63	1896.06	109	789.61	1585.94
1998	37	493.93	474.28	74	1028.27	1952.19	111	850.16	1633.03
1999	41	503.89	477.28	77	1091.9	1992.87	118	887.59	1654.31
2000	43	513.34	485.13	81	1149.73	2016.92	124	929.04	1678.89
2001	43	536.88	491.04	85	1288.07	2106.19	128	1035.72	1772.20
2002	43	552.79	497.79	88	1641.24	2470.49	131	1283.96	2104.24
2003	43	579.69	513.10	91	1945.27	2878.64	134	1507.06	2469.82
2004	44	597.05	532.88	91	2388.68	3592.68	135	1804.74	3077.46
2005	44	614.82	516.33	91	2715.88	3901.69	135	2031.09	3359.64
CAGR	**5.80**			**10.91**			**10.11**		

Source: Survey Data – 2006

The annual exports and profits of 44 Home textile export units of Kannur and 91 units of Karur from 1991 to 2005 were collected from the survey conducted by the researcher during the year 2006. The average export and the Compound Annual Growth Rate (CAGR) of Kannur and Karur are presented in Table No. 6.43. The CAGR of Kannur is only 5.8, but in Karur the CAGR is 10.91. So it is evident from the table that, the CAGR of Kannur is only half of the CAGR of Karur.

Table No. 6.44

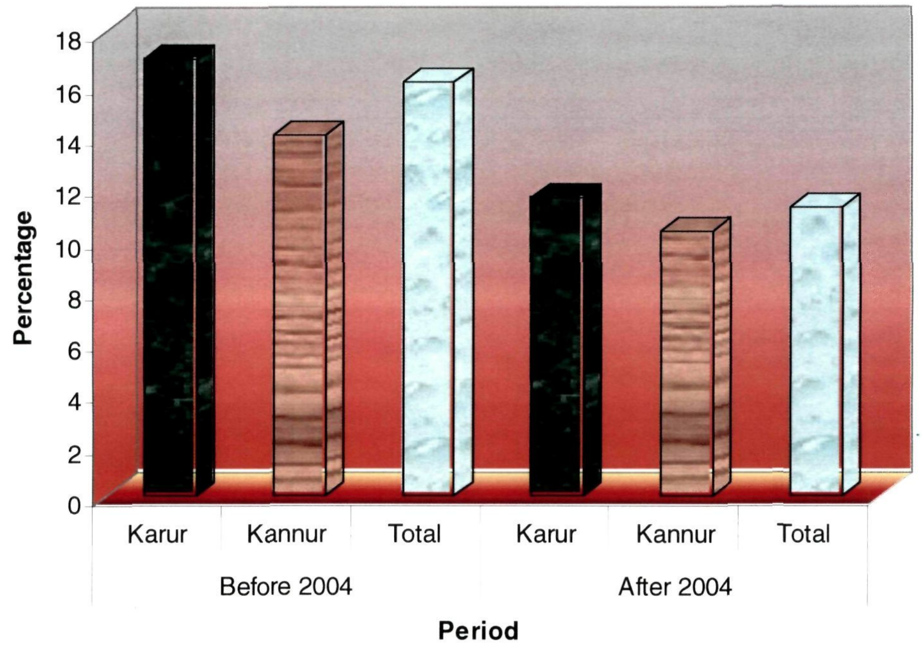
Change in the Percentage of Profit

Period	Region	Number	Average	SD	p-level
Before 2004	Karur	91	16.98	5.75	**0.001866**
	Kannur	44	13.98	3.57	
	Total	135	16.00	5.32	
After 2004	Karur	91	11.56	3.52	**0.041722**
	Kannur	44	10.27	3.16	
	Total	135	11.14	3.45	

Source: Survey Data – 2006

The profit percentage of the export firms are stated in Table No. 6.44. Before 2004, the export firms of Kannur earned an average profit at the rate of 13.98 percent and in Karur it was 16.98 percent. Then, after 2004, the profit percentage began to diminish and in 2005 it was10.27 percent in Kannur, and 11.56 percent in Karur. The dissimilar percentage share of profit in Kannur and Karur is representing in Figure No. 6.14. This specifies that the Karur export firms are more cost competent and are enjoying more profit margins than Kannur exporting units.

Figure 6.14
Change in the Percentage of Profit



Panel Discussion

The researcher selected some eminent personalities in the export front from Kannur and Karur to discuss and collect more details about the Home Furnishing Textile exports. The problems identified and the suggestions put forward by these luminaries are listed below.

Name of Participants in the Panel Discussion

1. Mr. C. Jayachandran, President, Kerala Handloom Export Organisation, Kannur, President of North Malabar Chamber of Commerce and Proprietor of Mascot Industries, Kannur .
2. Mr. R. Muralidhar, Chief Executive Officer of Karur Textile Manufacturer Exporters Association, Karur.
3. Mr. Parameswaran A.R Deputy Director, Textile Committee, Kannur.
4. Mr. Vel Murugan, Deputy Director, Textile Committee, Karur.

5. Mr. P. Shanmugham, Manager, National Handloom Development Corporation, Kannur.
6. Mr. P. Balan, Senior Manager, Ambadi Enterprises Ltd. Ambadi Enterprises Ltd is a unit of Murugappa Group of Companies with registered office at Chennai and units all over India including Karur and Kannur.

Problems Identified

1. The mind set of the workers of Kannur are not congenial for the growth of the Home Furnishing Textile industry.
2. The eco- friendly attitude of the people of Kerala is antagonistic to the growth of this industry in Kannur.
3. The young generation of Kannur is not attracted to this industry due to meager income and irregular employment.
4. Absence of industrial culture and dearth of innovative entrepreneurs act as a stumbling block to the industrial development of Kannur.
5. The people of Kannur are least interested in the development of textile industry and not ready to bear any type of pollution as their principal source of income is foreign remittances from the gulf countries.
6. Leisure prone nature of workers leads to absenteeism which is more among youths of Kerala that retarded the smooth functioning of export units in Kannur.
7. Cabinet dyeing is cheaper because the dyes used are lesser in quantity and cheaper in price. Due to pollution problems and lack of Cabinet dyeing facility in Kannur the exporting units are forced to outsource from Tamilnadu.
8. In Kannur modern finishing facilities like zero- zero finishing and wrinkle free finishing are totally absent.

9. Installation of a power project for the export units of Kannur is very essential.

10. Incentives to the exports of Home furnishing textile sector should be increased.

11. 75 percent of the exports of Kannur are sending through the Cochin port and 15 percent by Madras port and balance through Bombay or other ports as per the request of the importing firms. Infrastructure facilities, especially the road transport is very poor. Cochin airport is far away, and container freight station is not yet sanctioned.

12. Loss of working days due to various types of strikes inhibits the smooth functioning of Kannur export units.

13. Unlike Tamilnadu, the government of Kerala and the Industries Department are not bestowing adequate support and initiative for the growth of textile industries in Kerala.

14. Karur textile industry enjoys economies of forward and backward linkages from the spinning mills and ancillary industries. Home Furnishing Textile units of Kannur are in distress due to the absence of these auxiliary industries.

15. The ignorance of customs authorities regarding various technical terminologies acts as a barrier in the distribution of benefits due to the exporters of Home Furnishing Textiles.

16. To meet the international demand for high count yarn, a good number of spinning mills in India are concentrating on the production of high count yarn. As a consequence, prices of lower count hank yarn used by the handloom manufacturers increased.

17. Units in Karur are exporting goods through Madras port which is far away from Karur resulting in increased transportation cost.

18. In the home textile export front, the packing practices have changed considerably from wholesale packing to individual packing. The attractive packing increases packing charges considerably.

Suggestions Proposed

1. Functioning of the Textile Park proposed at Taliparamba can solve the problem of Common facility centre.
2. By the commissioning of Kannur airport and development of the highways will resolve the transportation problem of Kannur.
3. The trade union leaders of Kannur have to educate the workers to act according to the changed business environment.
4. Formation of exporter's consortium can increase the bargaining capacity of the exporters and can eliminate the price war among them.
5. To maximise the profit margin, exporters should concentrate on the export of value added products.
6. The importers have preference to import from large scale integrated units due to internal economies and better labour welfare measures. Hence the exporters should convert small scale units into integrated large scale units.
7. To enhance the quality of products training should be imparted to the workers.
8. The pollution problems can be solved by the group efforts of Government, exporting units and the local public.
9. The commissioning of Vallarpadam Terminal can reduce the ship freight and the lead time of Kannur exporters.
10. To boost exports, the industry requires uninterrupted and quality power supply, adequate water supply, finance at low rate of interest and infrastructural facilities.

11. Encouragement may be accorded for the establishment of industrial units in Kannur, which produces various home furnishing textile accessories like button, hooks, zips, and packing materials.

12. The exporters of Home Furnishing Textiles can improve their export share by reviewing published market survey reports, by participating in international trade fairs and exhibitions, by conducting business tours and by appointing agents in foreign countries.

CHAPTER VII

SUMMARY, FINDINGS AND RECOMMENDATIONS

SUMMARY, FINDINGS AND RECOMMENDATIONS

International trade is a dynamic economic activity which fosters economic growth to world nations. To maximise the gains from trade, different policies are adopted by the developed and less developed countries through centuries. Contrary to expectations developing countries are struggling to get market access from developed countries both under GATT and WTO regime. In the quota free world, developing countries under the leadership of India can bargain for a fair share of the international Textile and Clothing market, especially to tap the untapped potential of the market.

Indian textile industry had a glorious past dated back to the early Vedic period. The colonial trade policy of the British Raj stunted the growth of the Indian Textile and Clothing industry. Since independence the Government of India adopted a protectionist policy which resulted in structural transformation and weakened the edifice of the industry. In the wake of globalisation, the government of India adopted a liberal trade policy which imparted dynamism and pushed the textile industry on the trajectory of growth.

Kerala, the southern most state of India was the earliest globalised part of the world with a prosperous export trade in spices and handloom textiles. Likewise, Karur of Tamilnadu was another handloom textile centre which earned name and fame in textile exports. In spite of a hectic start, the home textile industry of Kannur is not in tandem with Karur which is showing signals of a tremendous growth. The gap in growth patterns necessitated a comparative study of these two furnishing textile hubs to reveal the underpinning factors which governs growth.

The researcher reviewed literature of Indian exports, textile industry, textile exports, home furnishing textiles, policy measures and recommendations

of commissions, books, magazines, various textile journals, and Compendiums of Textile Statistics of Ministry of Textiles.

After reviewing a host of literature the researcher is attempting to give a brief sketch of world scenario of Textile and Clothing Trade. Restrictions on Textile and Clothing trade were started from early 1930s in the form of voluntary export restraints for cotton textiles. The tariff barriers were curtailed in 1947 by the GATT negotiations and in 1960s by quota restrictions and Multi Fiber Arrangement. The Short Term Arrangement on cotton textiles was negotiated in July 1961. In 1962, the Long Term Arrangement regarding International Trade on Cotton Textiles imposes a five percent growth limit on imports of cotton products.

Multi Fibre Arrangement was established under GATT in 1974 as a means of countering unfair trade practices. During 1974 to 1994, four successive MFAs were concluded.

On January1, 1995, MFA was replaced by the WTO Agreement on Textiles and Clothing (ATC), with an assurance to a 10 year transitional process for the ultimate removal of these quotas and fully integrating the sector into WTO rules by January 1, 2005.

The past growth track of world textile and clothing industry from MFA to ATC (1995 to2004) witnessed many humps and bumps. There are 125 nations in the world textile market to share the ever increasing demand for textiles and clothing. The ATC transition period highlighted a hike in Global textile exports and showed a stagnant trend in the Global exports of clothing. The principal exporters of textiles are the EU, China, US, Republic of Korea, India, and Japan. While the principal exporters of clothing are EU, China, Turkey, Mexico, India, US, Bangladesh and Indonesia.

Thus, although markets have been opened to new exporting countries, the opportunities for export expansion have been limited and biased towards

established exporting countries, such as the Republic of Korea, Taiwan and Hong Kong. Since bilateral agreements are usually based on historical performance, large exporters have relatively large market shares and therefore it is difficult for new exporting countries with a low quota base to attain high market shares unless they have strong political bargaining power. Textile and Clothing trade in 2003 and 2004 were faster than the overall growth in global merchandise and manufactured exports.

In the post- Quota regime global trade in textile and clothing centered on the US and opened up new business avenues in home furnishing textiles. A lion's share of Indian Home textile exports are targeted to USA and EU. Afterwards, the textile trade started facing fierce competition and developed countries have been imposing trade barriers and quota restrictions on developing economies. China becomes the world's largest Textile and Clothing industry with the export volumes expanding at a fast pace and registered growth in the entire value chain.

India's Performance in the multilateral trade scenario is delimited on account of structural weaknesses, delay in global integration and unrealistic government policies. The future of Indian Textile and Clothing industry in the post quota regime depends much on improving competitiveness in production and marketing the product at international standards.

In order to compare India's export performance of Textile and Clothing with that of the world, the researcher highlights the historical and structural transformation of India's Textile and Clothing Industry. India has a heritage of producing cotton textiles and is amongst the earliest exporters, having supplied to ancient Greece, Rome and Egypt.

Textile Industry being the mother of all industries in India underwent violent fluctuations during the British period. The Indian cotton textile mill industry dates back to its origin to the year 1817, when Messrs. Fergusson and

company, Calcutta, put up the 1st cotton factory in India. The progress of the industry was influenced by the universal great depression of 1930's, the outbreak of II World War, and the Swadeshi Movement.

The onward march of the industry was arrested due to the partition of the country and negligence to exports and modernisation resulting in the surfacing of Japan and China in the world textile market.The colonial trade policy transformed Indian Textile and Clothing industry from the position of an enormous exporter to importer.

Textile and Clothing industry of India is the second largest employer next to agriculture, contributes 14 percent to industrial production, 4 percent to the GDP and 17 percent to the country's export earnings. The post WTO era observed radical changes in export prices, increase in competition among global players, dumping of goods by competitors, increasing trade restrictions and trade accords to restrict the exports of Asian countries. The flexibility of Indian textile industry to adjust in harmony with fluctuating overseas demand, strong raw material base, amazing human resource, abundant managerial and technocrats with liberal credit facilities provides a competitive edge to India over our rivals.

In the MFA period, the exports of cotton textiles, man made fiber textiles, silk textiles and ready made garments showed an increasing trend. The total exports increased from Rs.1335.70 crore to Rs. 26598.63crore during the period from 1981-82 to 1994-95.

MFA has retarded the growth of textiles and clothing exports of the developing nations and due to lack of competitiveness India was unable to exploit the shifting comparative advantage in world textile and clothing manufacture. Though the Indian exports increased in volume terms, its contribution to the world trade in textiles and clothing declined from 10.9 per cent in 1955 to 2.89 percent in 1995, which is much lower than the Chinese

share of 13.24 per cent. As a corollary of MFA, the world Textile and Clothing trade was monopolised by 15 countries.

India's textile exports have exposed a diverse appearance in the ATC regime and enhanced its position so as to amalgamate with the New World Order. The liberal trade policies of the governance and positive efforts by the exporting community, textile exports increased substantially from US$ 7.55 billion in 1994-95 to US$ 13.07 billion in 2004-05. In 2006-07, the Textile and Clothing export touched $19.62 billion.

New generation of the world choose for superior life style trends at home which necessitated demand for home furnishing textiles. This increasing demand for home textiles motivated the researcher to conduct a thorough study of this dynamic segment along with a comparative analysis of the citadels of home furnishing centres like Kannur of Kerala and Karur of Tamilnadu.

Home Furnishing Textile products are demanded by people in all walks of life, in business concerns and in miscellaneous institutions. India and China are the key players of home furnishing textiles in the global market. India enjoys 12 percent share of American imports and 11percent of EU imports. In the global rating of home textile exports, India bagged second with a share of 8 percent followed by China with 12 percent. USA, Europe, Canada, Japan Germany, U.K., UAE, France, Belgium, Italy, Holland, Japan, Denmark and South Africa imports home textiles mostly from India due to their aesthetic sense and competitive price.

India should focus more on high value items to safeguard the uptrend. To take advantage of the up beat mood of the industry both at domestic and international markets, Indian textile companies are on the chase for global brands. Quality, Newness and Diversity are the new catch words in order to stay alive in the home textile market. The eradication of trade quotas and the

increased cheerfulness in the export front motivated the stakeholders to promote the sun rising home furnishing textiles.

The sustenance of Indian textile and clothing industry in the free trade world requires an overhaul change from low budget markets to high value added market segments and to spot gifted areas and register product specific measures

Findings

The researcher conducted a census survey of 44 home furnishing textile export units of Kannur in Kerala and 91 units of Karur in Tamilnadu for a comparative analysis of the export performance during the Quota Phase out Period (1995 to 2004). From the survey the researcher observed that all the 44 home furnishing textile export units of Kannur are registered with District Industries Centre and Handloom Export Promotion Council whereas in Karur, out of the 91 home furnishing textile export units only 73 units (80.22%) are registered with DIC, but all units are registered with Export Promotion Council. The findings observed by the researcher from the study are given below.

- In Kannur 31 units (70.45%) are partnership firms, 8 units are proprietary firms, 4 units are under co operative sector and 1 firm belongs to joint stock company, whereas in Karur 78 units (85.71%) are partnership firms, and the rest 13 units are proprietary firms.
- In Karur, all the export units are using handloom and power loom for weaving whereas in Kannur nearly one-third (31.82%) units are using only handloom for weaving. As a result of which the cost of production of handloom products is more than the power loom products. Hence, Karur is more cost effective than Kannur.
- Technology acts as a detrimental factor which affects the cost effectiveness of exporters. The adoption of modern technology in the field of dying, weaving, processing, finishing and stitching is higher in Karur

than Kannur. So, the Units in Karur are more cost competitive than the units of Kannur.

- In Karur three-fourth (74.73%) of the units are performing all the production process in their units whereas it is only one-third (38.64%) in Kannur. Hence, the units in Karur are more cost effective and profit oriented than in Kannur.
- In Kannur all export units are exporting fabrics and made ups, where as in Karur 85 units (93.41%) are exporting fabrics and made ups and six units (6.59%) are exporting only made ups. Value addition and profitability are more in the case of made ups than furnishing fabrics. Hence, Exporters of Karur enjoy more profit than Kannur.
- In Kannur, 20.34 percent of the total exports are in the form of Furnishing Fabrics and the balance (79.66 percent) as Made ups. In Karur, the export share of Furnishing fabrics is only 7.99 percent. Large share of made ups will increase the value addition and profitability of the export units of Karur. Kannur exports more furnishing fabrics than Karur hence the profit margin of Kannur export units are lesser than Karur.
- In Kannur 12 units (27.27%) are purchasing raw materials only from local mills and NHDC whereas in Karur it is only one-fifth of that of Kannur. It is worth mentioning that in Karur 41 units are purchasing raw materials only from local mills whereas only one unit in Kannur is depending exclusively on local purchases. It is observed that in Karur not even a single unit is depending exclusively on outside state for raw materials whereas it is as many as eight units (18.18%) in Kannur. Hence, the export units of Karur are more economical in the procurement of raw materials than the export units of Kannur.
- In Kannur, only 17 units (38.64%) have modernised their units as a part of the quota free regime, but in Karur as many as 69 units (75.82%) have

modernised their units after 2000. In Kannur, only five modernised units were able to make use of the Technology Up gradation Fund Scheme whereas in Karur more than half (55.07) of the modernised units availed this facility. It shows that the units of Karur were prepared to face the challenges of quota free regime by availing TUF loans. The Kannur exporters are not investing for the further modernisation and development of the industry unlike Karur exporters. Hence the competitive capacities of Karur export units are more than that of Kannur.

- It is worth mentioning that from a total of 91 units in Karur, 15 units have imported foreign Technical Know-how, whereas no export units in Kannur imported any Technical know how from foreign countries. From this, it is apparent that Karur is more technically innovative and moved by modern advancements in technology. They are also growing well to capitalise the free trade regime. Ultimately this factor will lead to high productivity, cost competent and profitability of export units of Karur than Kannur. Home furnishing exporters of Karur updated their technology by using cabinet dyeing machines, shuttle less and rapier looms, fabric processing machines and embroidery machines imported from Europe, China and Japan.

- More than half (50.55%) of the units in Karur resorts to labour outsourcing whereas, it is slightly above one-third (36.36%) in Kannur. As the labour outsourcing is a factor to reduce the cost of production, export units of Karur are enjoying less cost of production and more profit than Kannur. Due to pollution problems and lack of cabinet dyeing facilities in Kannur, export units are depending Tamilnadu especially for dyeing.

- Out of the 40 outsourcing units in Kannur, 23 units, (57.50%) are outsourcing the work to outside the state whereas in Karur as many as 47

units (56.63%) are outsourcing to the local weavers resulting in comparatively smaller cost of production to export units of Karur. On the contrary, in Kannur outsourcing to other states results in loss of employment, and income to the local weavers.

- In Kannur 56.41 percentage of workers are male, where as in Karur 53.11 percentage are female workers. The percentage of male workers outstrips female workers results in high labour cost in Kannur. The situation is dissimilar in Karur, where the female workers surpass male workers which reduce the wages bill. As wage bill represent a major part of the cost of production, the divergence in wage bill differentiates the cost of production of Kannur and Karur. So the export units of Karur are accruing more profit than their counter parts in Kannur.
- The average technically qualified male workers at Kannur region are 24.95 and that of Karur is 47.66. There is a significant difference in the efficiency of technically qualified workers and non qualified workers. As the number of qualified males working in Karur region is nearly 50 percent, they are benefiting from high productivity, low cost of production and high profitability than the export units of Kannur.
- As far as the average technically competent female workers, in Kannur it is 51.32, but in Karur it is 88.9. There is a significant difference between Kannur and Karur region with respect to the number of qualified females working in this sector. In Karur the technically qualified male and female workers percentage is higher than that of Kannur which creates much discrepancy in production efficiency, cost of production and profit margin.
- The average technically unqualified male workers at Kannur region are 39.89 and that of Karur is 35.76. So the dissimilarity between Kannur and Karur region with respect to the number of unqualified males

working in this sector is not significant. The average technically unqualified female workers in Kannur are 37.67 but in Karur it is 59.86. The labour cost of Karur decreases due to the high percentage of unqualified female workers than that of Kannur.

- The average administrative qualified male workers at Kannur region are 9.58 and that of at Karur is 18.82. In Kannur, qualified administrative male workers are not appointed as the administration is carried out by the owners themselves. This results in low professional expertise, which leads to slight international contacts and lower export orders to the Kannur export units.
- The average administrative unqualified male workers at Kannur region are 9.71 and that of at Karur is 14.91. The number of unqualified males working in this sector is different in Kannur and Karur. In Karur the male workers are ready to do any type of work irrespective of the nature of work unlike their matching part in Kannur.
- The average number of casual workers employed per year by the export firms of Kannur is only 819, where as in Karur it amounted to 9481. As a result, the Karur export units are escaping from all types of recurring welfare cost and retirement benefits. In Kannur majority of the workers of the export firms are permanent workers, so their total labour costs are higher than the export firms of Karur.
- In Karur, working time extends from 9.15 a.m. to 7 p.m. with two tea-breaks of 15 minutes each and a lunch break of 1.15 hours and the actual time worked by the workers is 8 hours. In Kannur, the working time extend from 8.30 am to 5.30 p.m. with two tea- breaks of 15 minutes each and a lunch break of 1 hour and the actual time worked by the worker is only 7 ½ hours. The extra working time of half an hour per day per worker and more time for lunch break are important factors which

influence the productivity of the export units of Karur. But in Kannur, the loss of half an hour's work per worker per day through out the year creates a much difference in the total labour productivity, cost of production and profit of the export firms. Work culture and mind set of workers in Kannur and Karur are diametrically opposed to each other. The workers of Karur are less efficient but hard working than the Kannur workers. Comparing to Kannur, the workers of Karur are more flexible to labour laws and regulations.

- Out of 44 units of Kannur only 4 (9.76%) units are totally denying retirement benefits, but in Karur out of 91 units 12 (13.19%) units are refuting retirement benefits. Handloom Workers Welfare Fund Board is granting pension to the handloom workers of Kerala. The labour-friendly and welfare oriented labour policy of the Kerala government compelled the export units of Kannur to give more welfare and retirement benefits to their employees and this committed welfare expenditure increases the cost of production in Kannur than in Karur.
- In providing welfare facilities to workers, export firms of Kannur are more advanced than Karur. In Kannur 5 units (11.36 percent) are providing both ESI and Subsidised canteen facilities to their workers but in Karur only one unit is providing both facilities. In Kannur 15 units (34.09 percent) are not providing any welfare facilities, in Karur it is 34 units (37.36percent). The dissimilar welfare benefits imparted to the workers increases the cost of labour which leads to augment in cost of production in Kannur than Karur.
- In Kannur nearly two-third units (65.91%) are not employing professional management in the field of production and marketing, whereas in Karur two-third of total units (67.03%) is taking advantage of professional management and encompass the benefit of high efficiency and lower unit

cost. The family management system pursued by the export units of Kannur has resulted in poor marketing competence, low productivity, higher cost per unit and low margin.

- The exporting units of Kannur and Karur are not experiencing any financial problems due to the easy availability of cheap credit facilities in the form of pre shipment credit and post shipment credit.
- The success of Karur exporters depends on the execution of their export orders in time, whereas in Kannur 10 percent export units were incapable to execute their orders in time. The respondents opined that in Karur the workers were ready enough even to stay overnight until the entire export orders are executed and they felt that it is their own concern. Such a sense of belongingness and responsibility was totally absent in the case of employees of Kannur. The delivery of export orders in time attracts more export orders to Karur than Kannur.
- A successful Home textile player in the international market must understand and define its position in the market place, adhere to better quality and faster delivery and streamline supply network in the interest of the importing countries. Karur exporters are marching forward in augmenting more export orders by following these principles, where as Kannur exporters are retreating behind due to their laxity.
- All the units in Kannur and Karur opined that low cost and fabulous fashion of competitor's are the major constraints in the export front. Almost half of the (46.15%) respondents of Karur were of the view that they are experiencing competition in the export market in quality stipulations. The future of Karur exporters depend on improvement of the quality of their products, whereas Kannur exporting firms must improve their fashion and design. In spite of the uptrend in cost of production, the

quality, Colour, design and craftsmanship of Kannur products are superb hence highly demanded in the world market.

- The export promotion strategies implemented by the export units of Kannur and Karur are, obtaining international certificates like ISO 9000, ISO14000, SA 8000, OHSAS, Participation in International Trade Fairs, Membership in Clusters/ Consortium, and Creation of Web Sites. The Karur export firms are more fascinated in adopting all the export promotional strategies to enhance their exports whereas the Kannur exporters are hesitant to embrace these measures. The vibrant export promotion strategies implemented by Karur exporters ease them to gain more export orders than Kannur exporters. Karur Textile Committee contributes the highest ISO Certification. There are 5 units in Karur who obtained all the four international certificates like ISO 9001- 2000, ISO 14001, SA 8000, and OHSAS. These home textile units excels first in Asia by obtaining all these international certificates.

- Majority of the respondents in Kannur and Karur communicated that China is the foremost competitor in the world market followed by Pakistan and Bangladesh. The exporters of Kannur and Karur are totally cognizant about the forthcoming competition in the free trade regime. There is real cost rivalry emerging between China, Pakistan and India. India is competing with countries, which have exactly the same cost structure.

- EU, USA, Australia, and Asian countries are the major importing countries from Kannur. Above 50 percent of units are supplying made ups to all these countries. EU, USA, Australia, Canada, and Asian countries are the principal importers of made ups from Karur. EU and USA are the main customers of both Kannur and Karur. Karur exporters are having more international market access than Kannur exporters due to their

excellent marketing strategy. Since the principal made up markets for Kannur and Karur are identical, the exporters of Kannur are experiencing neck to neck competition from Karur and additional competition from the global players.

- During the quota phase out regime 84 exporters (92.31 percent) of Karur, viewed that there is an increase in the quantity of exports and decrease in the price of the product. In contrast, only 19 exporters (43.18 percent) of Kannur agreed with this fact. In Kannur, 20 exporters (45.45 percent) opined that, the price as well as the quantity decreased during the quota phase out regime. It shows that, Kannur is facing the problem of reduction in prices and quantity of exports but Karur is facing only the problem of price reduction.
- Nearly three-fourth (70.45%) of the exporting units in Kannur and Two-third units in Karur opined that the impact of Globalisation was not positive. The optimistic business approach and dynamism of Karur exporters motivated them to modernise their technology and to increase production capacity to exploit the benefits of globalisation, unlike Kannur exporters. The impact of Globalisation inflicted a big shock to the Kannur home textile export units than that of Karur. The quota removal has not affected the exporters of Karur because they are exporting the monopoly products which have a niche market.
- The problems of the exporters in the export front like competition in the world market, decreasing government incentives, price variation, declining profit margin, high shipment freight, and foreign exchange rate variation are similar in ranking for Kannur and Karur. The ranks disagree only in the case of scarcity of skilled labour and size of the orders.
- In Karur 42 units (46.15%) are optimistic and anticipating the future prospects of export business as bright whereas in Kannur only 7 units

shared this view. 40 units of Karur (43.96%) and 37 units (84.09%) of Kannur are of the view that in the free trade regime, the performance level is more or less same. 9 units of Karur (6.60%) are expecting most horrible performance for the future. The exporters of Kannur are not showing an optimistic outlook towards export business but the exporters of Karur are cheerful about the future prospectus of the Home Furnishing Industry of Karur.

- The profit percentage of the export firms from 1995 to 2004 shows that the export firms of Kannur earned an average profit at the rate of 13.98 percent and in Karur it was 16.98 percent. Then, after 2004, the profit percentage began to diminish and in 2005 it was10.27 percent in Kannur, and 11.56 percent in Karur. This specifies that the Karur export firms are more cost competent and are enjoying more profit margins than Kannur exporting units. .
- The exporters of Kannur and Karur ranked their production problems almost in the same rank. Yarn price variation is the most vital problem for both regions. The second problem faced by exporters of Kannur is pollution to environment, where as in Karur it is the scarcity of skilled labour. Poor quality of raw material poses the third problem of Kannur, but scarcity of raw materials is the third problem of Karur. Both Kannur and Karur are confronting problems with similar ranks in the case of lack of infrastructure, rigidity of labour laws and inadequate financial support.
- The export firms are installing Effluent Treatment Plant and Reverse Osmosis Plant to control pollution. In Kannur 29 units (65.91 percent) are not adopting any measures to control the pollution, where as in Karur, it is 56 units (61.54 percent). 32 units of Karur have both ET and RO plants, but it is only 4 units in Kannur. So the export firms of Karur are most vigilant in controlling pollution problem than Kannur. The outsourcing

export units of Kannur and Karur are using direct inspection as their important quality control measure. Random checking and Quality verification are also used by above 30 percent of firms. Lab testing and Rejection of products are also practicing by some firms (15 to 36%). In the use of Direct inspection as a control measure, Kannur and Karur firms are different, It validate that the export units of Kannur and Karur are very meticulous in the quality standards.

- The export units of Kannur and Karur are enjoying a number of advantages from outsourcing. The export firms of Kannur and Karur unanimously agreed in the ranking of Lower cost, Special artistic skill and Modest welfare cost as the benefit of outsourcing. Flee from labour problems are considered as the second advantage for the export firms in Kannur as they are suffering from labour problems. But in Karur region short conversion time is their second advantage. The Karur export firms consider short conversion time as their second advantage because of their abundant export orders.

- The average administrative qualified female workers in Kannur are 8.82 and in Karur it is 10.65. There is no significant difference between Kannur and Karur region with respect to the number of qualified females working in the administrative sector.

- As far as the average administrative unqualified female workers, in Kannur it is 12.33 and in Karur it is 24.50, there is no significant difference between Kannur and Karur region with respect to the number of unqualified females working in the administrative sector.

- The study revealed that 27 units of Kannur (61.36%) are following both time rate and piece rate for wages calculation and almost an equal percentage of units in Karur (68.13%) are also following the same system

of wage payment. Time rate and piece rate are the accepted system of wage payment in the study area.

- The number of paid holidays per year is 13 for all the exporting units of Kannur. In Karur most of the units (78.02 percent) are allowing 13 days, but there is a variation in the case of 20 units (21. 98 percent), which includes eight units with less than 13 days and 12 units with more than 13 days. When the number of paid holidays is more, the cost of production of those units will increase.
- Most of the exporters are not using brand name for exports. Only Two units of Kannur and Three units of Karur are exporting under a brand name. Both the exporters of Kannur and Karur miserably failed to exploit the economies of using brand name in the international market.
- Six units (13.64%) of Kannur and almost an equal percentage of units (14.29%) of Karur experienced rejection of goods exported. As the percentage of rejection of goods is insignificant, it portrays that the exporters of Kannur and Karur are exporting only standardised and quality goods to the overseas market.
- The data of total annual exports of Home textiles of Kannur and Karur for the period 1995 to 2004 shows The Compound Annual Growth Rate (CAGR) of Kannur during this period was only 2.48, where as it is 17.14 in Karur. "The export performance of Karur is better than Kannur during the phase out of Quota Regime."
- The average export and the Compound Annual Growth Rate (CAGR) of Kannur and Karur show that the CAGR of Kannur is only 5.8, but in Karur the CAGR is 10.91. So it is evident that, the CAGR of Kannur is only half of the CAGR of Karur.

Home textile sector has a favourable prospect in the international market due to the acceptance of India's traditional rich culture by most of the world

consumers. The extra amazing aspect of the home furnishing industry is the expanding domestic market characterised by a retail boom, high disposable income, youthfulness of the population, and trends in life styles. These factors motivated the Ahamedabad based Pradip Overseas Ltd, exporters of House hold linen, to set up the country's first private sector integrated textile park with an investment of Rs.1200 crores over the next five years. The park known as Green Field Textile Park would produce five lakh meters of cloth every day and would generate employment avenues for about 20,000 skilled and unskilled workers. The government would earn foreign currency to the tune of an estimated Rs.1500 crore per annum.[27]

The Indian Home furnishing Textile Industry has many advantages, which if harnessed effectively, will enable it to withstand global competition, especially from China. Factor endowments like strong raw material base, an expanding man made fiber industry and a large pool of technical and managerial work force with infusion of new funds can bring back the buoyancy. The exporters of Kannur and Karur can make great strides if they proceed with modern vision by exploiting the inherent advantages to satisfy the needs of international consumers.

The study reveals that "The export performance of Karur is better than Kannur during the phase out of Quota Regime." The out come of the empirical study and panel discussion revealed the causes for the disparity in the degree of export performance of these export centres. Karur out performed Kannur in the export front during the study period by all means. Karur is enjoying an array of natural and acquired advantages like nearness to raw material, traditional weavers with artistic and innovative skill, hard working and responsible labour resource, flow of cheap labour force from the outskirts of Karur, positive and encouraging attitude of the Tamilnadu government and industrial department, industrial culture and risk taking entrepreneurs, encouraging mind set of the workers, development of ancillary business units and early adopters of

technological developments. These factors resulted in multiplier increase of superb export performance of Karur.

On the contrary, in spite of a long tradition in the handloom industry and export of home furnishing textiles, the export performance of Kannur is very poor during the Quota Phase out regime. Kannur is pushed back from the export front due to lack of infrastructural facilities, lack of modernisation owing to threats from the trade unions, lack of industrial culture, negative attitude of the people towards the industry, leisure prone labour culture, loss of working days resulting from various types of strikes, eco- friendly and over reactive nature of the people and over anxiety about pollution, inadequate support from the Kerala government and Industrial Department. Younger generation of workers in general and especially male workers are not attracted towards the industry as the wages are extremely low and in sufficient employment opportunities.

Suggestions

1. The Home Furnishing Textile export units of Kannur should convert the existing units into integrated units for making cost effective products.
2. The Kannur export units should modernise their production process with the assistance of textile machineries like Rotors, Rapiers and Shuttle less looms to snatch bulk orders. This will enable them to reduce cost of production and out sourcing from the neighboring states.
3. To revamp productive efficiency, cost effectiveness and profitability, the Kannur export units must embrace the services of professionally qualified managers.
4. Kannur export units must concentrate their efforts on export promotional strategies like obtaining international certification, active participation in international trade fairs, and creation of websites and get in touch with the changing fashion trends of international consumers

5. Ancillary accessory units for the production of made ups may be started in Kannur to cater the needs of the export units and become self sufficient in intermediate goods.
6. Kannur export units should focus on inventory planning, sales forecasting, manufacturing strategy, and distribution network and transportation management for obtaining better prospects in future.
7. Setting up of fashion studio, use of information technology in colour selection and fashion designing, value addition by either embroidery or other embellishment with the aid of handicrafts will enhance the competitive efficiency of Kannur export units in the overseas market.
8. The future export performance of Kannur export units depends much on the change in government policies, mind set of the workers, trade unions and exporters. Development of Work culture, dignity of labour, work ethics and personality development, may be promoted among the workers through orientation programmes under the patronage of the government.
9. In Karur the textile industries in the co-operative sector are functioning independently as profit making supplementary units. But in Kannur, The co - operative units are working as job workers of private exporters by enjoying government grants and incurring huge losses. To be more successful in future, they should concentrate in the domestic products for the local market. Product division and diversification among co- operative sector and private sector may excel quality of products, competitive capacities of both and will increase economies of scale, spurt in export orders, and growth of export performance.
10. To solve the scarcity of skilled labour, Kannur and Karur export units should impart training to young generation employees in modern automatic looms, sewing machines and finishing machines. It will

improve labour efficiency, dexterity of production and decrease lead time in production.

11. In Kannur and Karur the existing infrastructure is quite inadequate to serve the purpose of exports and causes high turn around time. The State governments should take immediate steps to provide world class infrastructure facilities like –air port, express high ways, round the clock supply of power, container facilities, and reduction in freight charges to the export units to increase their competitive efficiency.
12. The export units of Kannur and Karur must form clusters and consortiums to increase their capacity and they must develop supply linkages with big exporters for their future survival in the export market.
13. The home textile export units of Kannur and Karur should export under a brand name to capitalise the boom for home textile products in the international market.
14. Most of the Home Furnishing Textile export units of Kannur and Karur are functioning under the private sector. Hence the government may redress grievances of these exporters on a time bound basis.
15. Traditionally the key home furnishing export destinations are quota markets like EU and USA, but there are new and budding markets like South Africa. Kannur and Karur exporters should exploit such untapped markets to increase their export share.
16. Kannur and Karur export units must utilise the prospects to enlarge its Unit Value Realisation through stirring up the value chain by producing more value added technologically superior products.
17. Expansion of home furnishing textiles into the domestic market must be promoted to exploit the increasing demand of the young affluent generation, and this will serve as a building block to realise increased

exports of Kannur and Karur. For domestic market expansion, management skills in product development, production and distribution must be upgraded.

18. Due to pollution problems and lack of cabinet dyeing facilities in Kannur, export units are depending Tamilnadu for dyeing.

Handloom Home furnishing textiles are not cost effective in the world market, because there is no special preference for handloom products in the free trade regime. So value addition with the aid of handicrafts, embroidery and hand work must be adopted to elevate the status of the handloom products

Policy Suggestions

1. To avoid the disparity among the export units with regard to labour cost, out sourcing of labour, and welfare measures, the Government of India may amend the labour laws more flexible and formulate a uniform wage structure for the Southern region.
2. To overcome the fluctuations in the yarn price on a permanent basis, the Central government may authorise NHDC to procure and distribute raw materials to export units at the mill gate price. To hedge the risk of seasonal price variations a price stabilisation fund may be constituted for the Southern Region.
3. The Government of India may educate the public with the aid of electronic mass media about the healthy nature of hand loom goods and motivated them to purchase for a particular amount or percentage every year.
4. To update the knowledge of human resources of textile and clothing industry with the recent changes in their fields, the Government of India may organise staff training at regular intervals, nominate the workers and managers for various seminars, Linkage exercises, conferences and

workshops in their respective fields and exposure trips for getting familiar with the working of other organisations.

5. Government of India can constitute a separate institute of Home Furnishing Textiles, in the level of NIFT for Kannur and Karur.
6. To triumph over violent foreign exchange rate fluctuations and to remove the apprehensions about the earnings of exporters, appropriate policy measures should be adopted by the government of India.
7. To augment a big share of the international market access and export share, the Government of India may enter into pact with our trade partners or trading block. Non – participation in these trade agreements is resulting in erosion of cost competitiveness and additional incidence of duty.
8. To promote Indian Textile and Clothing exports and to attract more FDI, the Government of India may provide more fiscal incentives and export income should be excluded from the income tax bracket.
9. To surmount high export transaction cost, delays in executing orders, high tariff rates, incompetent infrastructure, and procedural hurdles, the Government of India should extend more support to the Textile and Clothing exporters.
10. There has been an increase in the number of seasons per year which reduces fashion cycle and increased the fashion risk. India should decrease lead time in production and ensure timely delivery of goods to hedge this risk. The Government should take immediate steps to improve the port infrastructure and reduce turnaround time and transaction costs.
11. All the export agencies like AEPC, HEPC, Textile Committee, TEXPROCIL and Customs should work round the clock to provide the necessary assistance to the exporters to ship their goods easily and should be located at one place to have easy and quick clearance of documents.

12. The various industry associations, instead of showing their bargaining power in achieving a good deal for a sop from the Government should support their members through market studies, competition tips and market databases for future references. In the days to come, where anti dumping measures are going to increase, if the associations do not document these activities, the cases can never be won in spite of the best efforts of the government.

13. The Kerala government should insist the public sector spinning mills of the state to produce adequate hank yarn and ensure its regular supply to the export units at a reasonable price.

14. The government of Kerala should extend liberal credit facilities and motivate the exporters to modernise the export units in all segments of production.

15. To solve the problem of environmental pollution, Kerala government should advise the existing units to shift their dye houses to remote areas and also away from the water sources. The government should insist the dye houses to install Effluent Treatment Plants and Reverse Osmosis Plants.

16. The Kerala government, export units and Trade unions should ensure 8 hours work by the workers instead of spending 8 hours inside the factory premises. This makes much difference in cost of production, price and profit of Kannur export units.

17. The Industrial support and special welfare packages of the Kerala government may also be extended to the private export houses and unorganised job workers so that the physical quality life index of the weavers may be enhanced.

18. The Tamilnadu government should follow a more labour friendly wage policy by extending Dearness allowance, welfare measures and retirement benefits to textile workers.

19. The Kerala and Tamilnadu governments may take initiative to start Training Institutes to impart technical training, entrepreneurial development and risk management to the workers to mitigate the problem of scarcity of skilled workers.

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APPENDICES

Appendix I

Survey Schedule

The data and information collected by the researcher will be used only for the research purpose and not for any other purpose.

Name of the unit :
Address of the unit :

Tel. No: Fax:
E-mail: @ website: www.

1. Year of Registration :

2. Body of Registration :

| DIC | KSIDC | KVIC | Export promotion council |

3. Type of Organisation

| Proprietary | Partnership | Company | co-operative Society |

4. Nature of Operation

| Power loom | Handloom |

5. Type of activities undertaken

| Dyeing | Weaving | Finishing | Made- ups |

Production details

6. Type of Technology used

| Traditional | Modern | Hi - Tech |

7. What are the main products?

| Furnishing Fabrics | Made-ups | Both |

8. What are the production processes of your unit?

Dyeing   weaving   Finishing   Stitching

9. Name your alternative source for the process (not installed in your unit)
   i) Local units ------- % of total export
   ii) Out side the state -----% of total export
   iii) Co-op units -----% of total export
   iv) Sister concerns out side the state -----% of total export

10. Sources of raw material

Local mills   Co-op Societies   NHDC   Outside States

11. Is there any subsidy for the purchase of raw material?

Yes   No

12. If yes name the Agency and rate of subsidy.

Name of Agency :

Rate of subsidy :

13. What are the new machines and/ or technology acquired during the last five years? Give the details.
   i) Year of modernisation :
   ii) Expenditure incurred :
   iii) Type of modernisation :
   iv) Utilisation of T U F :
   v) Expected Results of modernisation :

14. Rank your Problems with regard to production in descending order
   i) Shortage of raw material ☐
   ii) Poor Quality of raw material ☐
   iii) Shortage of power ☐
   iv) Shortage of water ☐
   v) Inadequate financial support ☐
   vi) Pollution to environment ☐
   vii) Lack of infrastructure facility ☐
   viii) Rigidity of labour laws ☐
   ix) Scarcity of skilled workers ☐
   x) Regulatory restrictions (Govt.) ☐

xi) Any others (specify) ☐

15. Suggest your opinion to solve the problems?

....

....

....

16. Are you producing all your products in your factory? Yes No

17. If no, mention the nature of out sourcing.

Product Labour

18 Name the various sources of out sourcing

Local Weavers ☐
Co-operative Societies ☐
Outside the state ☐

19. Share of outsourcing to the total exports?

Below 25% 25%-50% 50%-75% Above 75%

20 Rank the advantages you have derived from out sourcing

i) Lower cost ☐
ii) High labour efficiency ☐
iii) Special artistic skill ☐
iv) Flee from labour problems ☐
v) Flee from pollution control norms ☐
vi) Short conversion time ☐
i) Modest welfare cost ☐

21 Specify the measures adopted to ensure the quality of products from out sourcing

Direct Inspection ☐
Random Checking ☐
Rejection of products ☐
Quality verification ☐
Lab testing ☐

22 What are the measures taken by you to become an eco-friendly unit

ET Plant ☐

ET and RO plant ☐
No measures ☐

Human Resource Management details

23. Details of employees.

	Technical		Administrative		Total	
	Qualified	Unqualified	Qualified	Unqualified	Qualified	Unqualified
Male						
Female						
Total						

24. Mention the average number of out workers per year ....

25. Number of working hours per day and the Time Schedule ....

26. Method of wages payment

Time rate   Piece rate   Both Time and Piece rate

27. Is there any weekly off Yes   No

28. Number of paid holidays per year: ....

29. Please furnish the details of welfare facilities and other amenities at the work place.
    - Subsidised Canteen ☐
    - ESI ☐
    - Any other facilities ☐
    - No welfare facilities ☐

30. What are post retirement benefits provided to the workers?
    - Gratuity ☐
    - Provident Fund ☐
    - HWWB Pension ☐
    - No Benefit ☐

General Management

31. Do you have a professional management? [Yes] [No]

32. If no, why? ....

33. What are the future prospects of this industry?

Better Performance ☐
Same performance ☐
Worst Performance ☐

Export

34. Name the products exported

[Furnishing Fabrics] [Made-ups]

35. Name of the importing countries:

....
....

36. Specify the percentage share of various products to the total exports

i) Furnishing Fabrics :
ii) Made-ups :

37. Exports from 1991 to 2005

Year	Products	Quantity	Value	Profit
1991				
1992				
1993				
1994				
1995				
1996				
1997				
1998				
1999				
2000				
2001				
2002				
2003				
2004				
2005				

38. Rate the impact of Globalisation and ATC on your organisation

Very high ☐
High ☐
Neutral ☐
Low ☐
Very low ☐

39. Can you execute the export orders in time?

Yes No

40. If no, what are the reasons for it? ....

41. Who are your important competitors in the world market?

....
....
....

42. In which area, your competitor is more superior to you?

Low cost ☐
High quality ☐
Variety ☐
Fashion ☐
Any other (specify) ☐

43. Is there any change in your exports after the end of quota regime?

i) Increase in the quantity of exports ☐
ii) Decrease in the quantity of exports ☐
iii) Increase in the price of the products ☐
iv) Decrease in the price of the products ☐

44. Whether you have received any incentives for promoting your exports?

Yes No

45. If yes, give details ....

....

46. What are the export promotion strategies adopted by your firm?
    - i) ISO-9001: 2000 ☐
    - ii) SA 8000 ☐
    - iii) ISO 14001 ☐
    - iv) OHSAS – 18001 ☐
    - v) Participation in international trade fairs ☐
    - vi) Member ship of textile cluster/consortium ☐
    - vii) Creation of websites ☐

47. Are you an importer of any technical know how for improving the quality of your product? Yes ☐ No ☐

48. If yes give details ....

49. Are you exporting your products under a brand name?

    Yes ☐ No ☐

50. If yes, give details ....

51. Have you experienced any rejection of your goods? Yes No

52. If yes, what are the reasons for it? ....

53. What are your problems in the export front?
    - Competition in the world market ☐
    - Decreasing Government incentives ☐
    - Price variation ☐
    - Declining margin ☐
    - High shipment freight ☐
    - Less vessel connectivity ☐
    - Scarcity of skilled labour ☐
    - Small size of orders ☐
    - Exchange rate variation ☐

54. Give your suggestions for solving it:

....
....
....

Appendix II

List of Exporters of Home Furnishing Textiles

Exporters of Kannur

1. Agfa Textiles, Chirakkal, Kannur. Ph: 0497 2778522.
2. Ambadi Enterprises Ltd, Thazhe Chovva, Kannur-6. Ph 0497 2726335.
3. Anand Textiles, Mooppanpara, Kannur. Ph: 0497 2774369.
4. Ashoka Fashion Home Decoration, Kambil PO, Narath, Kannur-3. Ph: 0460 241128.
5. Bengi Fabs India, India House, Thillanur, Kappad, Kannur. Ph: 0497 2821506.
6. C.R. Exports, Eachur, Kannur. Ph: 0497 2851281.
7. Cannanore Handloom Exports, Mundayad Road, Mele Chovva, Kannur-6. Ph: 0497 2726430.
8. Cotex Internationals, Shanthi Road, C.K. Puram, Chalad, Kannur.Ph: 0497 2742950
9. Dhanalakshmi Weaving Works,Kakkad, Kannur-5. Ph: 0497 2 701311.
10. Dhanasree Handlooms, M.M. Shopping Complex, Rajeev Gandhi Road, Kannothumchal, Kannur. Ph: 0497 2712682.
11. Fair Deal Export Inc., Thilanur PO, Thazhe Chovva, Kannur. Ph: 0497 2821506.
12. Fashion Fabs, Vengaravayal, Chirakkal PO, Kannur. Ph: 0497 2775487.
13. Garden Fabrics/ R. M. Textiles, Ramatheru, Pallikunnu, Kannur.Ph: 0497 2748862.
14. Great Indian Textiles, Alavil PO, Kannur-8.Ph: 0497 2778298.
15. Hindustan Textiles, Alavil PO, Kannur-8.Ph: 0497 2741871.
16. Indian Textiles, Chirakkal PO, Kannur-11.Ph: 0497 2 746209.
17. Irinav Weaver's Industrial Co operative Society, Ltd, No.C-19. Po Irinav, Kannur, 670301, Ph: 0497 2867537.
18. Kairali Handlooms, Water Tank Road, Mele Chovvaa PO, Kannur-6.Ph: 0497 2727037.
19. Kakkayan Exports, Thilleri, Kannur. Ph: 0497 27090.
20. Kripesh Textiles, Chirakkal PO, Kannur. Ph: 0497 2779018.
21. Mascot Industries, Azhikoede, Kannur-9. Ph: 0497 2778064.

22. New Ananad Sagar Colour Merchants, Sagar Dye Chem Building, Bridge View, Kannur-1. Ph: 0497 2702318.
23. Pappinisseri Weaver's Industrial Co operative Society, Ltd, No.15, Near NH, Pappinissery, and Ph: 0497 2786267.
24. Parag Fashions, Red Cross Road, Payyambalam, Kannur. Ph: 0497 2702774.
25. Purushotham Gokuldas, Bank Road, Kannur-1. Ph: 0497 2769749.
26. Rajesh Fabrics, Ainivayal PO, Azhikode, Kannur-9. Ph: 0497 2771682.
27. Ranjini Textiles, Neerkadavu, Azhikkode South, Kannur-9. Ph: 0497 2742398.
28. Sagar Fabrics, Thalikkavu Road, Kannur-1. Ph: 0497 2701153.
29. Sajeeva Textiles, Eachur Po, Kannur. Ph: 0497 2857361.
30. Shabari International, AttadappaPO, Kannur-6. Ph: 0497 2820570.
31. Simpac weaves, Head Office Somdat Chambers, Bhikaji, Cama Palace, New Delhi, Branch- Thalikkavu, Kannur-1.Ph: 0497 2703608.
32. Sivadas Textiles,Poothappara, Azhikkode, Kannur. Ph: 0497 2774941.
33. Sreekandha Weaving Works, Alavil PO, Kannur. Ph: 0497 2778444.
34. Swadeshi International, PB. No. 20, Hospital Road, Kannur. Ph: 0497 2701529.
35. The Chirakkal Weaver's Co operative Production and Sales Society, Ltd, No.F.1291, Chirakkal, Kannur, 670011, Ph: 0497 2778239.
36. The Harichandra Weaving Mills, Kakkad Road, Kannur-2. Ph: 0497 2 702258.
37. The Kanhirode Weaver's Co operative Production and Sales Society, Ltd, No.44, Kanhirode, Po, Kannur, Ph: 0497 2857865.
38. Trilokya Weaving Works, Azhikode, Kannur-9. Ph: 0497 2 778525.
39. U.K. Exporters, Pvt. Ltd, South Bazar, Kannur-2. Mob: 9847200828.
40. Vasulal International, Azhikode, Kannur-9. Ph: 0497 2741291.
41. Vijaya Govinda Weaving Company, Azhikkode, Kannur-9. Ph: 0497 2742284.
42. Vikas Fabrics, Near Railway Cutting, Valapatanam PO, Kannur-10. Ph: 0497 2778711.
43. West Coast Weaving Establishment, Mele Chovva, Kannur-6. Ph: 0497 2726322.
44. Western Textiles, Varam PO, Kannur. Ph: 0497 2706817.

Karur Exporters

1. A.D. Textiles,Sanjay Nagar, Erode Road, AthoorPo,Karur. Ph: 04324 225886.
2. A.T.M. Tex, No.30, Chinnandan Kovil Road, Karur. Ph: 04324 240183.
3. A.T.R. Exports, R.K. Puram West, Karur. Ph: 04324 230931.
4. Aalishan Exports, R.K. Puram, Karur. Ph: 04324 230337.
5. Aarthi –A1- Traders, R.K. Puram, Karur. Ph: 04324 230260.
6. Aathira Traders, Vaiyapuri Nagar, Karur. Ph: 04324 237315.
7. Abinaya Grineters, 4th Cross,Vaiyapuri Nagar, Karur. Ph: 04324 274467.
8. Adarsh Fabrics, R.K. Puram, Karur. Ph: 04324 230657.
9. Alaska Exports,Ezhil Nagar, Kovai Road, Karur. Ph: 04324 240758.
10. Amaravathi Textiles,R.K. Puram,Karur. Ph: 04324 230620.
11. Amutha Exports and Textiles, R.K. Puram East, Karur. Ph: 04324 230417.
12. Anand Traders, Valluvar Street, Karur. Ph: 04324 274449.
13. Anartex Exports, Sengunthapuram, II Cross Street,Karur.Ph: 04324 231172.
14. Apex International, Vaiyapuri Nagar, Karur. Ph: 04324 236650.
15. Arasi Export Fabrics, Palaniappa Street, Karur. Ph: 04324 231864.
16. Arrow Exports, R.K. Puram West, Karur. Ph: 04324 230972.
17. Arvind-A- Traders, Fifth Cross, Sengunthapuram, Karur. Ph: 04324 231515.
18. Ashika Fabrics, Anna Nagar, 2nd cross, Karur. Ph: 04324 248789.
19. Asian Fabrics, Pugalur Road, Karur. Ph: 04324 221244.
20. A-Tex Home Collection, 21, Sengunthapuram, Karur. Ph: 04324 230517.
21. Atlantic Fabrics, Sengunthapuram, 5th Cross, Karur. Ph: 04324 227794.
22. Atlas Export Enterprises,Pugalur Road, Karur. Ph: 04324 274404.
23. Bhabaa Exports, R.R. Tower, Sengunthapuram, Main Road, Karur. Ph: 04324 232091.
24. C.M. Arumugham Mudaliyar Sons and Company,Ratna Salai, Karur. Ph: 04324235095.
25. C.M.H. Exports, Fifth Cross, Sengunthapuram, Karur. Ph: 04324 259231.

26. C.M.S. Export, Valluvar street, Karur. Ph: 04324 233420.
27. Classics Textiles, Main Road, R.K. Puram, Karur. Ph: 04324 230624.
28. Cot Fab and V.T. Impex,Veeramahal Complex, Kovai Road, Karur. Ph: 04324 240012.
29. Ditty Handlooms, Vivekananda Nagar, , Karur. Ph: 04324 232999.
30. Euro Impex, Pugalur Road, Karur. Ph: 04324 209487.
31. Expo- Fabs,R.K. Puram North, Karur. Ph: 04324 238375.
32. Gem Exports, Mahathma Gandhi Road, Bharathi Nagar, Karur. Ph: 04324 231847.
33. Giri Tex, P.B. No. 66, PugalurRoad, Karur. Ph: 04324 221226.
34. Goldline Exports, Kamarajapuram West, Karur. Ph: 04324 232396.
35. Goodwill Enterprises, Sengunthapuram, 6th cross, P.B. No. 169, Karur. Ph: 04324 232689.
36. Guruprasad Exports,M.G. Road, Karur. Ph: 04324 232519.
37. Hi-Tech Fabrics, Kamarajapuram North, Karur. Ph: 04324 231160.
38. Home Apparels, R.K. Puram, Karur. Ph: 04324 235106.
39. Jai Hnadloom Exports, Coimbatore Road, Karur. Ph: 04324 236507.
40. Kanara Krafts,Salem Bye Pass Road, Periyakulath palayam, Karur. Ph: 04324 221631.
41. Kangaroo Impex, Amaravathi Nagar,Andan Kovil Po, Karur. Ph: 04324 227375.
42. Kwalitee Fabs, Kamarajapuram North, Karur. Ph: 04324 238303.
43. M.Tex International, R.K. Puram, Karur. Ph: 04324 231939.
44. Mallow International, M.G. Road, Bharathy Nagar, Karur. Ph: 04324 236078.
45. Manohar Textiles, Pugalur Road, Karur. Ph: 04324 221369.
46. Masilamani Textiles, R.K. Puram East, Karur. Ph: 04324 230916.
47. Metro Fabrics, R.K. Puram North, Karur. Ph: 04324 230354.
48. Muthu Export House, New Bye Pass Road, P.B.No. 201, Karur. Ph: 04324 221530.
49. N.N.M. and Company, R.K. Puram East, Karur. Ph: 04324 230147.
50. Nal Tex, Kamarajapuram North, Karur. Ph: 04324 231133.

51. Nandini Fabrics, Mahathma Gandhi Road, Bharathi Nagar, Karur. Ph: 04324 233550.
52. Nevea Fabrics,Amutham Nagar, M.G. Road, Karur. Ph: 04324 234901.
53. Nishok Impex, R.K. Puram East, Karur. Ph: 04324 232745.
54. Oceana Overseas, R.K. Puram East, Karur. Ph: 04324 230817.
55. Orange Impex, Periyar Nagar West, Karur. Ph: 04324 235010.
56. P.A.P. Exports, North Prasakshanam Road, Karur. Ph: 04324 233007.
57. P.S.M. Textiles, Ratna Salai, P.B. No. 155, Karur. Ph: 04324 234298.
58. Parameswari Textiles, Kulathupalayam Road, Vengamedu, Karur. Ph: 04324 221252.
59. Periaswamy and Company, Valluvar Street, Karur. Ph: 04324 232355.
60. Pioneer Exports, R.K. Puram, Karur. Ph: 04324 249366.
61. Prem International, R.K. Puram East, Karur. Ph: 04324 232232.
62. Premier India, 5th Cross, M. Kulandaivel Road, Karur. Ph: 04324 231111.
63. Priya Handlooms, R.K. Puram North, Karur. Ph: 04324 230558.
64. Pukra Exports, Pugalur Road, Karur. Ph: 04324 221512.
65. Quality Exports, Kamarajapuram North, Karur. Ph: 04324 235544.
66. R.K. Exports, Mahathma Gandhi Road, Karur. Ph: 04324 234744.
67. Radaan Exports, Mahathma Gandhi Road, Bharathi Nagar, Karur. Ph: 04324 238739.
68. Rainbow Exports, Sengunthapuram, Main Road, Karur. Ph: 04324 274738.
69. Rajmans Export,Thirunagar 1st Cross, Karur. Ph: 04324 249445.
70. Rakhana Impex, Periyar Nagar West, Karur. Ph: 04324 232694.
71. Ram Textiles,
72. Ram Textiles, New Madurai Bye Pass Road,Chinnandan Kovil East, Karur. Ph: 04324 240911.
73. Sabare International Limited, Kamarajapuram East, Karur. Ph: 04324 238670.
74. Santh Exports, Pugalur Road, Karur. Ph: 04324 274077.
75. Sarathy Export Fabrics, , New Bye Pass Road, , Karur. Ph: 04324 240964.
76. Sethman Exports,Veluswamy puram, 4th Cross, Karur. Ph: 04324 225330.

77. Soma Kannan Textiles, R.K. Puram East, Karur. Ph: 04324 230969.
78. Sree Angalamman Export, Gowri Puram Extension, 3rd Cross, Anna Nagar, Karur. Ph: 04324 241329.
79. Sree Guru Textiles, Coimbatore Road, Karur. Ph: 04324 233036.
80. Sree Nataraj Tex, Valluvar Street, Karur. Ph: 04324 233957.
81. Sree Ramvilas Weaving Factory, Chinnandan Kovil Road, Karur. Ph: 04324 240940.
82. Sri Arasu Tex, Kamarajapuram West, Karur. Ph: 04324 274551.
83. Surya International, Kamarajapuram North,Karur. Ph: 04324 259158.
84. Tex Impex, R.K. Puram North, Karur. Ph: 04324 230501.
85. Texyard International, Muthu Nagar, Near Thinnappa nagar, Karur. Ph: 04324 235320.
86. Thirumoorthy Textiles, Gowri Puram Extension, 3rd Cross, Anna Nagar, Karur. Ph: 04324 240638.
87. Unity Exports, R.K. Puram West, Karur. Ph: 04324 230648.
88. V.B. Vishalini Exports, Coimbatore Road, Karur. Ph: 04324 233166.
89. Veera Exporters, Vivekananda Nagar, Sengunthapuram, Karur. Ph: 04324 274041.
90. Venkateswara Exports, R.K. Puram East, Karur. Ph: 04324 230745.
91. Visa Cotton, R.K. Puram East, Karur. Ph: 04324 230184.